

## U.S. Slowdown Is in the Cards

But Will Policy Makers or Markets Play Out the Hand?

By Carl Gewirtz  
International Herald Tribune  
PARIS—There is no doubt that the U.S. economy is headed for a slowdown. How serious is still anybody's guess.

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It is crucial and probably the key to whether the economic griping world financial markets continue.

A slowdown will reduce the U.S. trade deficit, which financial markets see as the chief threat to improved economic prospects. But markets also appear to be saying that they fear engineering a correction without help from politicians.

"Markets are looking for a policy response from the United States," says Arnold Simkin, an economist with Stratton, a private consulting firm. "The market does not believe the Reagan administration is prepared to change its position on fiscal policy."

A better-skater collapse of U.S. stock prices will have dramatic effects, not precisely calculable, on the economic and psychological, on the willingness of consumers to spend and business to invest. By most estimates, more than \$1 trillion in paper wealth has been wiped out in the past two weeks on United States markets alone.

"It is premature to quantify the effects," Salomon Brothers' chief economist, Henry Kaufman, said Sunday. But, he added, "the direction is clear: growth will be weaker."

History shows that once markets start to move they tend to overreact, making for chaos rather than correction. Thus, the major worry now is whether President Ronald Reagan and Congress are capable of taking control.

It is a measure of the topsy-turvy conditions in world markets that a reduction in the U.S. budget deficit through tax increases, spending cuts or a combination of both is being sought by markets as the sure way to restore confidence. New taxes and reduced spending would bring an economic slowdown.

A political agreement to cut the deficit would no longer need to keep U.S. interest high to attract capital.



John J. Phelan Jr.

### NYSE Chairman Is Optimistic

United Press International

WASHINGTON — The chairman of the New York Stock Exchange, John J. Phelan Jr., expressed overall optimism for the market on Sunday.

"I think the individual investor as well as the institutional investor is reasonably optimistic," Mr. Phelan said in a television interview.

"And I think if given a period of quiet, they will assess what's going on," he said. "They will look for value. And I think where they see value they will be back into the market." (Other PHILAN, Page 5)

inflows to finance the deficits. Instead, the Fed would be free to drive rates down — reducing industry's costs to finance new investments and at the same time easing the debt-service burden on developing countries.

The International Monetary Fund estimates that a 1 percentage point drop in interest rates reduces the net interest payments of the developing countries by about \$2.5 billion a year. Lower interest rates should translate into higher imports.

A credibly stable dollar and a healthier environment for U.S. industry presumably would attract investments from abroad, relieving credit tensions in Japan and West Germany, where the central banks have been concerned about the consistent overshooting on money supply growth targets.

The Bank of Japan and the Bundesbank would then also be free to pursue easier credit policies aimed at stimulating new investments by industry.

The wild card in this scenario, assuming Mr. Reagan and Congress do agree to cut the budget deficit, is in measuring how much last week's events on Wall Street — whether reversed or not — will depress spending plans of consumers and industry.

"We are not fearing a recession," said Beryl Sprinkel, outgoing chairman of Mr. Reagan's Council of Economic Advisors. "But I think that we will be looking at our forecasts, as the private forecasters are, and recognize that the world is different, and markets have declined."

He said in an interview on Friday. "The markets are not only forcing the government's hand on the question of the twin deficits, but also on the value of the dollar."

Through almost all of last week's crisis atmosphere, the foreign exchange market was an isolated area of calm. But on Friday the dollar fell sharply. Rumors circulated that finance ministers of the major industrialized nations were about to meet to lower the target value for the dollar by 5 to 10 percent.

American and British officials denied that such a meeting was planned.

But the majority of private economists and currency dealers in all the major markets believe that a meeting would no longer need to keep U.S. interest high to attract capital.



Deng Xiaoping, left, and Zhao Ziyang at the opening of the party congress in Beijing.

## Zhao Presses Reform as Congress Opens

By Daniel Southerland  
Washington Post Service

BEIJING — China opened its first Communist Party congress in five years Sunday, with Prime Minister Zhao Ziyang predicting that China would gradually catch up with the capitalist nations through an economic "revolution" that stresses reforms.

Mr. Zhao took the offensive in his speech, making few concessions to conservative critics of economic change. He appeared to seize the high ground in an effort to revitalize a reform program that has faltered in a number of areas.

The prime minister, who is expected to be named party leader following the eight-day congress, proposed political reforms that would decrease party interference in government activities and limit the powers of entrenched party bureaucrats who resist new ideas.

For the first time, Mr. Zhao proposed the establishment of a civil service system that would promote officials on the basis of examinations and their performance on the job. The aim would be to make the world's largest and perhaps most cumbersome bureaucracy more efficient and more responsive to reforms.

Mr. Zhao defended the use of reforms that some critics regard as capitalist, such as the introduction of stocks and bonds and a reliance on market forces.

"We shall gradually put an end to poverty and backwardness," he declared, arguing that the main source of resistance to reforms and China's open-door policy were deep-rooted "leftist" habits of thought.

He contended that China had to keep itself open to the outside world to close the gap between it and developed capitalist nations.

Mr. Zhao said that China intended to double its gross national product by the end of this century, enabling the Chinese people to attain a "fairly comfortable life."

China's main industries, closed by the end of the century, be close to reaching the technological level achieved by the developed nations in the 1970s or early 1980s, he said.

Whether Mr. Zhao and his mentor, Deng Xiaoping, have the political power to impose further major reforms on the country remains to be seen. But Mr. Zhao's speech indicated that with support from Mr. Deng, the senior Chinese leader, he and his reformist allies have seized the initiative on both

the economic and political fronts.

The meeting began when Mr. Deng, 83, strode into the Great Hall of the People to the applause of the nearly 2,000 congress delegates.

Mr. Deng was followed moments later by the ailing Chen Yun, 82, a conservative leader who has been Mr. Deng's most eminent rival for influence. Mr. Chen favors more centralized control over the economy than does Mr. Deng and is admired by Marxist ideologues who fear the "capitalistic influences" that have accompanied economic reform.

With others on either side to assist him, Mr. Chen moved with painstaking slowness to the dais and seated himself to the right of

Mr. Deng. The relaxed Mr. Deng seemed to emanate strength and confidence as he sat back, followed the words of Mr. Zhao's speech from his copy of the text and occasionally puffed on a cigarette.

For party members looking for symbols of reformist vigor, the contrast between the relaxed Mr. Deng and the enfeebled Mr. Chen must have been striking. During much of the speech, Mr. Chen's eyes appeared to be closed because of his weakened physical condition.

Apparently tired, Mr. Chen left the dais more than an hour before Mr. Zhao finished his address.

Speaking against a backdrop of massed red flags and a huge gold

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## Fearing Wider Islamic Extremism, Israel Rethinks Its Tilt Toward Iran

By Thomas L. Friedman  
New York Times Service

JERUSALEM — Israel's longstanding tilt toward Iran in the Gulf War may be coming to an end. A growing number of important Israeli policy makers and strategists are starting to argue publicly, and in the corridors of power, that Israel should be supporting Iraq and not Iran, even to the point of selling arms to Baghdad.

Virtually all Israeli strategists still believe that the ideal situation for their country is for the war to continue indefinitely as a stalemate, sapping the energies of both nations.

But if this cannot happen, then an increasing number of Israeli defense analysts contend that the war must end with Iraq repulsing Iran in a way that either deflates or contains the Islamic revolution of Ayatollah Ruhollah Khomeini.

What has brought about this shift in thinking is the widening Israeli awareness of the immediate threat being posed to Israel in Lebanon, Egypt, Jordan and the occupied West Bank and Gaza Strip by Islamic fundamentalist groups inspired by, and sometimes even financed by, Iran.

"The Islamic fundamentalism growing around us has reached the point where it is starting to influence the decision makers in all the neighboring states," said a very senior Israeli defense official. "All that is what has really made people open their eyes about Iran."

An Israeli intelligence analyst added: "We thought once the Iranian Islamic revolution settled down and got past all of its slogans, it would understand Iran's natural alliance with Israel. But that has not happened, so people here are starting to wonder what it could be like if Iran wins."

He concluded, "We could be in the soup with everyone else."

Israel has routinely opposed support for Iraq for a number of years, including its fear that a victory would further embolden the

radical Arab nation, which has sent divisions to fight in almost every Arab-Israeli war.

Now, Iran is spending \$80 million to \$75 million a year to finance anti-Israeli guerrilla groups in Lebanon, such as the Hezbollah, or Party of God, according to Israeli defense sources. That is more money than any other single party in Lebanon is spending for such militant activities, the sources said.

Egypt is increasingly unable to broaden its relations with Israel due to the rising power in Egypt of Muslim fundamentalist parties. Israeli officials said. Even more worrisome to Israeli defense experts is the fact that within the Israeli-occupied West Bank and Gaza Strip, a Palestinian Sunni Muslim underground group modeled after the pro-Iranian Lebanese Islamic Jihad organization is rapidly becoming

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On the basis of what he observed, Mr. Adelman said, he still believed Mr. Gorbachev was likely to come to Washington for the summit meeting before the end of the year.

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#### '88 Bid Barred

By Kirkpatrick

WASHINGTON (AP) — James J. Kirkpatrick, the former chief U.S. delegate to the United Nations, said Sunday that he would not seek the Republican nomination for president in 1988.

In a statement released by her spokesman, David Carmichael, she said, "I've carefully considered this issue, and I've decided for personal and political reasons, not to seek the Republican nomination. Naturally, I'm grateful for the confidence of those who urged me to become a candidate."

Mrs. Kirkpatrick, 60, of Bethesda, Maryland, had a prominent role at the 1984 Republican National Convention, even though she was then a registered Democrat. She switched to the Republican Party in 1985.

MONDAY Q&A

Rilwanu Lukman, president of the Organization of Petroleum Exporting Countries, discusses difficulties expected in reaching a new oil-pricing agreement. Page 9.

GENERAL NEWS

The battle for Jaffa, in Sri Lanka, was supposed to be over by now. But Tamil guerrillas are proving stubborn. Page 4.

Ethiopian rebels destroyed a food convoy. Page 2.

ARTS/LEISURE

Auction markets have remained remarkably cool to stock exchange chaos. Source: Melkian reports. Page 6.

Jim McMahon led Chicago to victory over Tampa Bay in the first game after the NFL players' strike. Page 15.

## Sprinkel, Rostenkowski Swap Charges on Budget

The Associated Press

WASHINGTON — One of President Ronald Reagan's top economic advisers and a prominent Democratic congressman, sniped verbally at each other Sunday over the U.S. budget crisis.

Both men, however, pledged to begin critical negotiations on the U.S. deficit in good faith.

Mr. Reagan scheduled his first round of talks with bipartisan leaders of Congress on Monday morning. The talks, following last week's crisis in the stock market, are aimed at reducing the budget deficit and restoring confidence in the U.S. economy.

Representative Dan Rostenkowski, Democrat of Illinois, the chairman of the House Ways and Means Committee, said on an ABC-TV news program that Mr. Reagan had failed to take a leadership role and to make clear what his plans were for cutting the deficit, including any move on a possible tax increase.

"If there are mixed signals," Mr. Rostenkowski said, "they're certainly coming out of the White House. I don't know who's in charge."

"We're ready to negotiate," he said, adding, "What we've got to do is build confidence in what we're doing in Washington."

Beryl W. Sprinkel, the outgoing chairman of Mr. Reagan's Council of Economic Advisors, countered in a separate interview on the same program that the turmoil on Wall Street was due in part to "the inability of Congress to come up with an appropriate budget" and its rejection of Mr. Reagan's budget proposals over the past seven years.

Mr. Sprinkel declined to outline the administration's stance on taxes, except to say that it opposed "massive" increases.

He said that Mr. Reagan would negotiate in good faith. "He's a very good negotiator," Mr. Sprinkel said, adding, "He's not going to say, 'I'm certainly not going to say, how it will come out. He will listen to what they have to say and there may be proposals for a tax increase."

Although the 1988 fiscal year began Oct. 1, the government is operating under a continuing resolution approved by Congress, and the budget talks on Capitol Hill have been at an impasse.

Asked whether the administration would look at a freeze on spending, Mr. Sprinkel said such an idea "certainly will be one of the options considered."

Representative Robert H. Mi-

## Rescue Set for Hong Kong Market

By Patrick Smith  
International Herald Tribune

HONG KONG — Government officials announced Sunday a \$256 million support package to help rescue the Hong Kong Futures Exchange, an adjunct of the local stock market, from what they described as certain collapse.

Had the futures market come apart, it would almost certainly have brought the stock exchange down with it, and the shocks would have reverberated throughout international markets.

Both the futures market exchange and the Stock Exchange of

## Are Germany's Speeders Driven by More Than Fuel?

By Ferdinand Procman  
International Herald Tribune

FRANKFURT — Seen through the windshield of a Porsche 911 Carrera doing 250 kph (about 150 mph), the broken line dividing the lanes on the A5 autobahn southbound from Frankfurt to Darmstadt is a trembling streak of white, the surrounding countryside a blur of forest and field.

Drivers in the left lane move over quickly when the car's low, goggle-eyed snout looms in their rear-view mirrors.

Slowing to 240 kph with the left lane open ahead, the Porsche feels almost weightless, the unchallenged king of the concrete. But suddenly a burly new BMW 735i sedan materializes three feet behind the Porsche's rear bumper, its left-turn indicator blinking, headlights flashing furiously. The driver's taut, angry face is clearly visible in the 911's mirror.

The Porsche yields, the BMW surges forward. Its driver, a bearded, bespectacled man in his late 20s or early 30s, shoots a brief, parting glance at the Porsche's occupants. His angry expression has been replaced by a look of triumph tinged with scorn.

Welcome to a late Saturday afternoon on the autobahn, where lengthy stretches of super-highway have no speed limit. (West Germa-

## U.S. High Court Joining Debate on Alcoholism

By Dirk Johnson  
New York Times Service

NEW YORK — Nearly 200 years after a Philadelphia physician first advanced the theory of alcoholism as a disease rather than a character weakness, the issue may be faced squarely by the Supreme Court.

The court has agreed to hear a challenge against the Veterans Affairs administration for excluding alcoholism, which it considers the result of "willful misconduct," from the list of "illnesses and disabilities" that allow veterans more time to claim education benefits.

The case could portend serious consequences for government agencies, private employers, insurance companies, alcoholism-care providers and the estimated one million alcoholics expected to seek treatment in the next year.

"Over the last two decades, the disease concept of alcoholism has become the premise for social policy," said Ronald Roizen, a scientist at the Medical Research Institute of San Francisco. "But the legal basis has never been clear."

The case, to be argued Dec. 7, has enlivened debate about the view that alcoholism is a disease. Proponents point to a growing body of research implicating genetic factors in drinking problems, while critics are becoming increasingly vocal.

"The entire notion of alcoholism as a disease is at stake here," said Michael Ford, executive director of the National Association of Addiction Treatment Providers. "It's taken years for the public to come to understand alcoholism as a disease. And here's the federal government saying it's just a temper tantrum."

While about 87 percent of Americans view alcoholism as a disease, according to a Gallup Poll in April, treatment based on that concept is relatively new. Through the 1940s, alcoholics were often jailed as criminals, ostracized as irresponsible or committed to sanatoriums as psychological deviants. And it was not until 1956 that the American Medi-

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## The high-horsepower driver uses his vehicle as a weapon against the weaker.

By Ferdinand Procman  
International Herald Tribune

FRANKFURT — Seen through the windshield of a Porsche 911 Carrera doing 250 kph (about 150 mph), the broken line dividing the lanes on the A5 autobahn southbound from Frankfurt to Darmstadt is a trembling streak of white, the surrounding countryside a blur of forest and field.

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## Moscow Cautioned On Delay

Shultz Cites Limit To Patience on Summit Decision

By Don Oberdorfer  
Washington Post Service

WASHINGTON — Secretary of State George P. Shultz said Sunday that Mikhail S. Gorbachev could "wait too long" before agreeing to another summit meeting, causing the Reagan administration to decide it was too late for a new round of top-level superpower diplomacy.

Mr. Shultz made the comment on NBC television a day after returning from a Moscow meeting at which Mr. Gorbachev unexpectedly balked at setting a date for a summit meeting with President Ronald Reagan this fall.

Asked to amplify his comment, Mr. Shultz said, "As you get into the heat of the election campaign, there is only a finite degree of time and a finite degree of patience."

The meeting for the U.S. presidential election, which will be held in November 1988, is already under way.

Mr. Shultz also responded to Western diplomats as Gorbachev miscalculated in shifting his summit stance. Page 2.

charges that the Reagan administration had weakened its bargaining position by being too eager for a summit meeting this fall.

He said it was the Soviet foreign minister, Eduard A. Shevardnadze, rather than anyone on the U.S. side, who proposed a statement that summit meeting dates for this fall would be established during Mr. Shultz's trip to Moscow.

Mr. Shultz also said it was Mr. Gorbachev, rather than any U.S. official, who brought up the summit question at the meeting Friday in Moscow.

There are differences of opinion among U.S. officials about whether the surprise developments present a serious complication for another summit meeting or only a temporary delay.

Kenneth L. Adelman, director of the Arms Control and Disarmament Agency, who is among those who believe the delay will be only temporary, said he was told by a Soviet Foreign Ministry official during the Moscow mission that work on a treaty to ban intermediate-range nuclear forces, or INF, definitely must be completed by Nov. 15 because a summit meeting to sign it would be held shortly thereafter.

On the basis of what he observed, Mr. Adelman said, he still believed Mr. Gorbachev was likely to come to Washington for the summit meeting before the end of the year.

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## A Gorbachev Miscalculation?

### Diplomats Call Shift on Summit a Risk to His Prestige

By Gary Lee  
Washington Post Service

MOSCOW — Mikhail S. Gorbachev's last-minute refusal to set a date for a summit meeting with President Ronald Reagan in Washington could diminish the Soviet leader's prestige and overall influence on the U.S.-Soviet arms control process, according to Western diplomats here.

The diplomats regard Mr. Gorbachev's move, made at the end of two days of U.S.-Soviet talks here, as his first serious foreign policy miscalculation during two years in power.

The agreement to set a date for a summit meeting this year had been reached in September when the Soviet foreign minister, Eduard A. Shevardnadze, visited Washington. Although Mr. Gorbachev told Secretary of State George P. Shultz on Friday that he still would be prepared to participate in a summit meeting this year, he apparently miscalculated the disappointment and criticism that his sudden change of the terms of the summit would arouse in the West, some analysts here said.

At a time when Americans and West Europeans are re-examining the extent to which they can trust the Soviet bloc, Mr. Gorbachev's unexpected reversal on a major U.S.-Soviet agreement undercut his long-term goals of buttressing the Soviet Union's reputation as a reliable negotiating partner, some Western diplomats said.

"What will U.S. senators think when time comes to ratify any arms

control treaty?" a diplomat asked. Most important, Moscow apparently miscalculated the possibility that Mr. Reagan would agree under pressure to compromises on his program for a space-based missile defense system. U.S. officials already have ruled out the possibility.

"If Gorbachev thinks that Reagan will change his position for the

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chance of having a summit, he's wrong," a U.S. official in Moscow said.

A month after the Soviet leadership signed an agreement to set the dates for a summit meeting during Mr. Shultz's visit to Moscow, Mr. Gorbachev reneged on Friday without warning, adding progress on talks to limit Mr. Reagan's Strategic Defense Initiative as a condition for the summit meeting.

According to Western and Soviet officials in Moscow, the sudden hardening was based on an assessment in the Kremlin that a summit meeting is the only bargaining chip left in Moscow's bid to prevent the United States from developing space-based weapons to the stage where they could be deployed.

Mr. Gorbachev's last-minute reluctance to come to Washington also represents bitterness at the critical reception that the Reagan administration has given his reform policies, including an attempt at forging a new détente.

Nonetheless, Western diplomats consider the move to be so atypical

of the Soviet leader, who has favored a high-profile policy of public diplomacy and holding to agreements, that they speculate he may have been forced in the last few weeks to harden his stance by military leaders or more conservative Kremlin officials.

Although Mr. Gorbachev made last-minute demands at the 1986 summit meeting in Reykjavik, Iceland, he highlighted new Soviet arms control proposals made there and thus avoided major criticism for preventing an arms accord.

Despite the view that Mr. Gorbachev may have buckled under to domestic pressures, the new Soviet stance seems to be the climax of a carefully orchestrated campaign to force the Reagan administration into concessions on SDI.

Ever since Mr. Shultz's visit to Moscow in April, Moscow has broached the possibility of discussing general principles on SDI, cuts in strategic nuclear missiles and other disarmament topics at a summit meeting — in addition to signing an intermediate-range nuclear forces treaty to ban medium- and shorter-range missiles.

In May, Soviet officials gave the Reagan administration a draft document on general principles on SDI and other issues that they proposed would be signed at a summit meeting, according to Soviet officials.

The United States apparently declined the proposal, however, and Moscow temporarily abandoned the idea. Instead, Soviet officials held out the promise of a summit meeting that would be used largely to sign an agreement on intermediate-range nuclear forces, followed by a later summit meeting to address other issues.

Meanwhile, the Kremlin drafted several proposals that appeared to bring the two sides closer to agreement on which missile systems could be tested under the 1972 Anti-Ballistic Missile Treaty.

Until the end of a four-hour meeting between Mr. Shultz and Mr. Gorbachev on Friday, U.S. officials say, the Americans were still under the impression that reaching agreement on the treaty would be enough for a summit meeting.

According to Western diplomats and some Soviet officials, the Kremlin viewed the U.S. reluctance to agree to a document on general principles on SDI and other issues as a sign that Moscow might never obtain an accord on SDI and strategic cuts from the Reagan administration.

With Mr. Reagan facing problems of domestic and foreign policy and anxious to become the first U.S. president in nearly a decade to have a major arms control treaty signed and ratified, the bid seemed worth an effort, according to one Soviet view.

"If it failed," a senior Western diplomat said, "Moscow could still sign an INF accord. If it worked, Moscow would succeed in its overall plan of avoiding the investment needed to match the Reagan administration's 'star wars' research."

## CHINA: Congress Opens

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hammer and sickle, Mr. Zhao spoke for more than two hours and 20 minutes from a 72-page text.

The congress was the first to be opened to the foreign press since the party took power in 1949 and was broadcast live throughout China. But many Chinese said they did not watch the telecast because they felt the congress would have little impact on their lives.

Mr. Zhao attempted to placate critics who worry that his reforms depart too much from Marxism when he spoke of a need to combat excessive consumption and to pursue "plain living and hard struggle."

The prime minister stressed a need to maintain the party's leadership over the country, to increase grain production and to counter corruption on the part of officials who use their positions to make personal profits — all themes dear to the hearts of party traditionalists such as Mr. Chen.

But Mr. Zhao stressed repeatedly that economic production is the main test of the country's policies. "Judging life by abstract principles or utopian models instead of by the growth of the productive forces will only discredit Marxism," Mr. Zhao said.

He advocated further departures from a Soviet-style centralized economy when he defended China's relatively small but growing private enterprises. Mr. Zhao advocated a competitive contracting system for industrial projects and renewed a call for the reform of China's irrational pricing system.

He also said that China should "improve the investment environment for foreign businessmen." Mr. Zhao urged his fellow Marxists "to widen their vision, develop new concepts, and enter a new realm."

## Belgian Leader Expects Election to Be Dec. 13

BRUSSELS — Prime Minister Wilfried Martens of Belgium said Sunday he expected a general election to be held Dec. 13.

Mr. Martens, a Christian Democrat, was speaking just four days after forming his seventh administration in less than eight years, a caretaker coalition set up to enact essential legislation ahead of the early elections. The previous coalition governing the bilingual nation collapsed because of a francophone official's refusal to take a test in Dutch.



PROTESTS IN SPAIN — Some 20,000 demonstrators marched Sunday in Madrid to support the removal of U.S. military bases, the country's withdrawal from the North Atlantic Treaty Organization and a nuclear-free Europe. No incidents were reported as similar rallies were held in other cities, including Barcelona and Valencia. The United States and Spain are due to hold talks next month on reducing the U.S. presence.

## Budget Cuts Mean Layoffs At Pentagon

By Richard Halloran  
New York Times Service

WASHINGTON — The Defense Department is planning extensive layoffs of civilian employees and deep cuts in the work of small contractors in an effort to generate a political backlash against Congress for budget cuts, according to Pentagon officials.

The officials said that 100,000 to 150,000 people, or more than 10 percent of the department's civilian work force, would be laid off if provisions of the recently adopted budget-balancing law are put into effect on Nov. 20.

In addition, according to officials knowledgeable about budget plans, the military services will slice more than \$2 billion from contracts with local companies that paint barracks, maintain and clean buildings and operate support services on bases around the country.

Further, the officials said, the services will delay maintenance on ships, tanks, aircraft and equipment that is done by contractors, causing more layoffs.

Purchasing of spare parts, a key to the readiness of the forces, will also be cut between 25 and 50 percent, the officials said. Consequently, they said, employment in industries making the parts will be affected.

Once the extent of the cuts becomes known, however, the officials expect labor leaders and laid-off workers to register strong protests to their representatives in Congress and to exert considerable pressure in an election year to have the cuts reversed.

Beyond an attempt to put indirect pressure on Congress, officials said, the military services are seeking to protect training programs and the deploying of forces around the world as much as possible from budget cuts. But some such operations will be reduced, they said.

Official spokesmen for the Defense Department declined to comment on the prospective cuts, saying that no final decisions had been made.

They noted that President Ronald Reagan was scheduled to meet with congressional leaders in an effort to reduce the deficit without, they said, cutting military spending.

But Pentagon officials familiar with budgetary matters said the cuts had been drafted and were being submitted to the secretaries of the army, navy and air force, along with senior military leaders in those departments, for approval.

Under the revised budget-balancing law, \$23 billion in federal spending will automatically be cut in the 1988 fiscal year, which began Oct. 1, unless Congress and the White House agree by Nov. 20 on another way to reduce the deficit by that amount. Of that sum, \$11.5 billion must be taken from military spending.

The military portion of the reduction includes \$10.9 billion from the Pentagon's budget and \$600 million from that of the Department of Energy, which makes nuclear warheads for the Pentagon.

Mr. Reagan has exempted military personnel from the automatic cuts, as the law permits.

But to reach its budget-cutting goal without reductions in personnel, the Pentagon must impose 10.5-percent cuts across other accounts: operations and maintenance, research and development, purchases of arms and equipment, and construction.

## Eritrean Rebels Destroy Large Food Aid Convoy

By Blaine Harden  
Washington Post Service

NAIROBI — In an Ethiopian rebel attack that a senior U.N. official said has "devastating implications" for famine relief in Ethiopia, a large convoy of donated trucks carrying Western food aid has been ambushed and burned.

Relief officials in Ethiopia said that the convoy, traveling in the north of the country without a military escort, was stopped Friday by rebel soldiers who doused 23 trucks with gasoline and set them afire. They said one driver was shot and killed by the rebels.

Nearly 450 tons of wheat, enough to feed 45,000 people for a month, were destroyed, officials said. In addition, they said, all 23 trucks were destroyed. Most of them were late-model, long-haul vehicles with a combined replacement value of more than \$2 million.

The wheat was a gift from the U.N. World Food Program and the U.S. government. The trucks were

gifts from Band Aid, a British relief agency, and Catholic Relief Services, an agency based in the United States.

The attack came at a time when the United Nations and Western donors are attempting to rush emergency food aid into northern Ethiopia, where drought threatens nearly a million people with starvation.

Relief agencies have warned that if large amounts of food aid do not reach distribution centers in Eritrea and Tigre by December, there will be a mass migration of destitute people into makeshift camps. It was in similar camps in 1984-85 that hundreds of thousands of Ethiopians died, primarily from infectious diseases.

"This raid has consequences far beyond the immediate loss of food and trucks," said David Morton, director of operations for the World Food Program in Ethiopia.

"It raises questions about the future movement of any relief food in the north. For Eritrea and Tigre, the attack has horrific implications."

The attack, Mr. Morton said, comes just as the United Nations is "appealing to the donor community for logistical support in transporting food."

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The British Broadcasting Corp. reported Sunday that an Eritrean rebel group called the Popular Liberation Front claimed responsibility for the raid. The BBC quoted the rebel group as saying that the attack was done in order to disperse enemy forces escorting the convoy.

Mr. Morton and other relief officials contacted in Addis Ababa, the Ethiopian capital, insisted that the convoy was not escorted by the Ethiopian military.

"If the rebels were going for a military target, why did they burn the trucks and the food?" Mr. Morton said.

Rebels in Eritrea, including the Popular Liberation Front, have been fighting for autonomy from the government in Addis Ababa for 27 years. The conflict is the longest continuing civil war in the world. October is the traditional month for a government offensive against the rebels, and fighting in the region has been intense in recent weeks.

Relief officials said that they were relying on trucks to deliver most of the relief food needed in Tigre and Eritrea. But Mr. Morton said that the rebel raid increases the likelihood that much of the food may have to be transported by air — at more than double the \$140-a-ton cost of delivery by truck.

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## WORLD BRIEFS

### Belgrade Sends Police to Halt Unrest

BELGRADE (AP) — Yugoslavia's state presidency, warning of potential danger to national security, has sent a special police unit to Kosovo to control ethnic tensions in the southern province, the official news agency Tasing said Sunday.

The move, which follows demonstrations by thousands of people in Kosovo, means that federal authorities have taken over local police and judicial organs there.

Kosovo has been plagued by tension between its ethnic Albanian majority and the Serb and Montenegrin minorities who make up 15 percent of the population of the economically distressed region.

### Slepaks Fly From Moscow to Vienna

VIENNA (AP) — Vladimir Slepak, a leader in the fight for increased Jewish emigration, arrived here from Moscow on Sunday on his way to Israel, ending a 17-year struggle to leave the Soviet Union. "It's like a dream," he said.

Mr. Slepak, 59, who first applied to emigrate in 1970, said he did not see his release as a change of Soviet policy toward Jewish emigration but rather as a result of Western pressure. He said his release, along with his wife, Maria, was a gesture to the West because the Soviets "need new help, credit and support from their balcony in 1978 demanding permission to emigrate to Israel. That led to charges of malicious hooliganism and a five-year term in internal exile in a village near the Siberian border."

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### Colonel Assumes New Powers in Fiji

SUVA, Fiji (Reuters) — Lieutenant Colonel Sitiveni Rabuka has tightened his grip on the nation, assuming powers of detention without trial. He has also suspended all political and trade union activity and given the military extraordinary powers.

Colonel Rabuka, in his 12th decade since he staged a coup Sept. 25, gave the army-backed government the right to restrict the movement of people, including departures from the country. Under the decree, security forces would be exempt from murder charges if they killed someone "in making a lawful arrest or preventing escape, to suppress a riot or to prevent a criminal offense."

The decree was released Saturday, but with the absence of newspapers, most Fijians remained unaware of it. Colonel Rabuka proclaimed Fiji a republic earlier this month, saying he wanted to give ethnic Fijians political supremacy over Fijians of Indian descent, who slightly outnumber them.

### Louisiana Governor Concedes Defeat

NEW ORLEANS (AP) — Governor Edwin Edwards of Louisiana conceded to U.S. Representative Charles E. (Buddy) Roemer III early Sunday, saying he would not pursue a runoff election for a fourth term.

Governor Edwards, 60, told backers that he had determined "that it would be inappropriate for me to continue this election." He finished second to Mr. Roemer, 44, in Saturday's primary, but conceded victory after two other major challengers indicated that they would back Mr. Roemer in a runoff.

With 3,197 of 3,262 precincts reporting, about 98 percent, Mr. Roemer had 515,062 votes or 33 percent. Governor Edwards had 441,672 votes or 28 percent. Both are Democrats.

### Tahiti Clashes Bring On Emergency

PAPEETE, Tahiti (AP) — French authorities have declared a state of emergency in this Pacific territory and have imposed a dusk-to-dawn curfew in Papeete and four neighboring towns after clashes between the police and striking dockers.

Fifteen persons were injured, two of them seriously, in the clashes which took place Friday night. Scores of shops and houses were wrecked and burned, and lumberyards were gutted when the police moved to end the occupation of the port by dockers. About 100 people were arrested and accused of looting.

The dockers, who started their occupation Thursday, are demanding that extra workers be hired. Three mobile police squads of 100 men were being sent to Papeete on Sunday, two from Paris and one from the French South Pacific territory of New Caledonia.

### Mubarak and Gemayel Meet in Cairo

CAIRO (Reuters) — In a meeting reflecting Egypt's renewed respectability among Arab leaders, President Anwar Sadat of Egypt and President Hafez al-Assad of Syria met Sunday to discuss Arab politics and relations between their countries.

Their two-hour meeting underscored "Egypt's keenness to preserve Lebanon's legitimate sovereignty and the return of stability to the country," said Essam Abdel Meguid, the Egyptian foreign minister. Acknowledgment of the meeting contrasted with official secrecy over Mr. Gemayel's talks with Mr. Mubarak 18 months ago. Egypt was ostracized by most Arab League members after its 1979 peace treaty with Israel.

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## AMERICAN TOPICS



BACK TO LITTLE ROCK — Carlotta Walls Lanier and Terrence Roberts, two of the Little Rock Nine, who desegregated Central High School in the Arkansas capital in 1957, lead the seven other former students through the schoolhouse door 30 years later.

## Taping Family Lore And How to Do It

The older generation embodies "a tremendous cultural resource" that is all but ignored in modern America, says William Fletcher, a Washington anthropologist, "and we can tap into it."

For Mr. Fletcher, 43, that means taping oral family history with a tape recorder or videotape camera. Sitting down with an aging parent or relative and recording a sentimental journey into the past, he says, is a powerful and priceless undertaking.

Mr. Fletcher, the author of "Recording Your Family History" (Dodd, Mead & Co., \$18.95), laments the loss of the cross-generational interaction that happened almost daily 75 years ago. Contact with grandparents today may occur only during hectic holiday visits.

Vivian Stachig, 31, a Silver Spring, Maryland, advertising executive, says, "The stories that have to tell if you ask them good questions are just amazing."

She says the hours taping her grandmother's recollections were "the most meaningful, interesting, fun, fascinating and entertaining" time they had spent together.

Miss Stachig has put together an oral family history kit, "Grandmother's Memories," (Random House, \$24.95), which includes a guidebook with "sentence starters" and "memory joggers" on 14 subject categories.

Short Takes

A plan to reopen five darkened playhouses has been offered by New York's Mayor Edward I. Koch and his Office of Film, Theater and Broadcasting in the

latest effort to revive the depressed Broadway theatrical scene. A trust of theatrical professionals would produce promising plays and musicals. Theater owners would get free maintenance, and could share in profits. Ticket prices would be \$10 to \$20, less than half the current range. Casts and crews would work for less than scale. The city would make an initial \$5 million grant and \$7 million annually would come from a \$1 surcharge on theater tickets.

Stanford is the best university in the United States and Williams is the best liberal arts college, according to U.S. News & World Report's third survey of 764 college presidents, which is conducted every two years. The remaining nine of the first 10 among universities were Harvard, Yale, Princeton, California at Berkeley, Dartmouth, Duke, Chicago, Michigan and Brown; among colleges: Swarthmore, Carleton, Amherst, Oberlin, Pomona, Wesleyan of Connecticut, Wellesley, Haverford and Grinnell.

The Commission of Fine Arts in Washington has voted 4-1 to reject the proposed Vietnam Women's Memorial, centering on a bronze statue of a nurse at the Vietnam Veterans Memorial. Commissioners who opposed it said approval would have established a precedent for placing other figurative statues there. "It will never end," said Chairman J. Carter Brown. Stephen Young of the Vietnam Women's Memorial Project said the commission had "insulted the women of America." Donna-Marie Boulay, a Vietnam veteran, said, "This matter is far from over."

The United Way, an annual effort in which various charities

band together to raise money in U.S. cities, is 100 years old this year. It started in Denver when the population jumped from 5,000 to 100,000 in five years and, as The New York Times put it, "social problems had grown too great to be addressed by sporadic hat-passing."

The U.S. Mint's American Eagle gold coins, one year old this month, are outperforming the famed South African Kruggerand and the Canadian Gold Leaf as the coin most widely held by American investors. Sales exceed \$1.5 billion. This is far over any projections, and the U.S. Treasury has profited by about \$187 million, according to Donna Pope, the mint's director.

## Notes About People

Richard M. Nixon said in a confidential memo to friends, according to the London Sunday Times, that if the U.S. economy faltered, the Democrats "could nominate a jackass and probably win" the 1988 presidential election. The memo was written shortly before this month's stock market crisis.

Arizona's former governor, Bruce Babbitt, badly in need of publicity in his quest for the Democratic presidential nomination, appeared on TV's satirical "Saturday Night Live." He was the first of the current candidates to accept the program's open invitation. In his skit, Mr. Babbitt denied having any of the character flaws that have felled other Democratic candidates, then was caught with 14 items in a supermarket's 10-item express checkout line.

—ARTHUR HIGBEE

## U.S. Panel Cites 'Severe Lack' Of Facilities for AIDS Victims

By Robert Pear  
New York Times Service  
WASHINGTON — A panel of federal health experts is recommending a wide range of measures to combat the AIDS epidemic and to provide health care for its victims.

In a confidential report, the panel says there is a "severe lack" of facilities to care for people with the acquired immune deficiency syndrome. It says federal and state

officials should provide financial incentives to encourage nursing homes, hospices and home care as alternatives to hospitalization of AIDS patients.

The cost of care for these patients will become prohibitive unless such alternatives are found, according to the panel, led by Dr. David N. Sussman, an assistant surgeon general in the Public Health Service.

A copy of the study was obtained from a federal official who said he hoped its disclosure would goad people into acting on its recommendations, which represent the government's most comprehensive effort so far to assess the effect of the AIDS epidemic on the nation's health care system.

The study was conducted at the request of Dr. Robert E. Windom, an assistant secretary of health and human services.

The report says states must dramatically expand drug treatment programs to prevent the spread of AIDS through intravenous drug abuse. The panel expresses cautious interest in the idea of dispensing sterile needles and syringes to drug addicts.

Dr. Roy W. Pickens, director of clinical research at the National Institute on Drug Abuse, a member of the panel, said his agency wanted to finance research to determine whether such a program would reduce the spread of AIDS without increasing drug abuse.

The report also makes these points:

• Private insurers and Medicaid, the federal-state program for the poor, should pay for experimental new drugs that show promise in the treatment of AIDS but have not been approved for marketing.

• Professional schools should provide more training to doctors, nurses, dentists, social workers and other health-care personnel on dealing with AIDS patients and their families. The federal government should help pay for such training because there is a severe shortage of people to diagnose, treat and counsel people with AIDS.

• Many religious and charitable groups are providing valuable services to AIDS patients. But "there is a lack of collaboration among private-sector organizations," and

"there is a clear need for federal leadership" to link them together.

• Infection with the AIDS virus is being detected in many small towns and rural areas that lack the resources to care for AIDS patients. The government should disseminate the latest scientific information to doctors in such areas.

• The federal government should provide mortgage insurance to encourage construction and expansion of nursing homes that agree to care for AIDS patients.

• The progression of symptoms in AIDS patients, especially those who become demented or emaciated, often resembles that seen in elderly people with chronic illnesses. "People with AIDS often find themselves competing for health and medical services and facilities required by the elderly."

• There will be a steady increase in the number of children with AIDS as long as the virus continues to spread among intravenous drug users. States should help arrange foster care and day care for such children as an alternative to hospitalization when possible.

## Jackson Paying Indiana Mayor for Campaign Work

WASHINGTON — Jesse Jackson's presidential campaign has been paying Richard G. Hatcher at the rate of \$75,000 a year to work as national director at a time when Mr. Hatcher has also been serving the final months of his fifth term as mayor of Gary, Indiana.

The campaign consulting-fee arrangement — unusual for an elected official, though not illegal — came to light in a campaign-spend report Mr. Jackson filed last week with the Federal Election Commission.

It showed that from mid-May through Sept. 30, Mr. Hatcher received \$2,916 twice a month in consulting fees and an additional \$2,000 a month in expense allowances.

Mr. Hatcher, 53, one of the longest-serving mayors in the United States, defended the arrangement in an interview Friday, noting that there is nothing in local or state regulations to prevent him from taking outside compensation. "I am worth every dollar I receive," he added.

On May 5, Mr. Hatcher was defeated in the Democratic primary election in his bid for a sixth term. His term expires Dec. 31. He said he has continued to work "full time" at his \$52,497-a-year city hall job, explaining that he has been spending nights and "an average of one to three days a week," most of them on weekends, working on the Jackson campaign.



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PHILIPS

## AFL-CIO Votes to Readmit Teamsters Union

By Frank Swoboda  
Washington Post Service  
MIAMI BEACH — The AFL-CIO has voted to allow the Teamsters union back into the federation three decades after it was kicked out as corrupt.

Moreover, the federation took steps to give Jackie Presser, the indicted president of the Teamsters union, a seat on the ruling policy council.

The 35-member executive council of the AFL-CIO, the largest U.S. labor organization, debated

the Teamsters issue for less than an hour before voting unanimously on Saturday to readmit the 1.8 million-member union, which represents truck drivers and related service workers. The reaffiliation will take effect Nov. 1.

The addition of the Teamsters gives the AFL-CIO new clout both politically in Congress and in their efforts to organize and to strike. In many areas, particularly construction and service industries, the Teamsters control the flow of goods.

The AFL-CIO president, Lane

Kirkland, defended the reaffiliation vote, despite Mr. Presser's federal indictment on fraud and racketeering charges and the U.S. Justice Department's threat to take over the Teamsters union on the ground that it is controlled by organized crime.

The executive council voted to expand its ranks to make room for Mr. Presser. The ruling body approved an amendment to the AFL-CIO constitution that would allow the council to create additional seats before the next convention in 1989.

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# U.S. to Embargo Trade With Iran After Attacks In Gulf, Officials Assert

By Lou Cannon and David B. Ottaway  
Washington Post Service

WASHINGTON — The Reagan administration has decided to impose a trade ban on Iran in response to what it views as increasing Iranian hostility toward U.S. interests in the Gulf, according to U.S. officials.

A senior official said President Ronald Reagan was poised to sign the order, aimed chiefly at preventing imports of oil from Iran and restricting exports of machinery and other supplies.

The ban will be "nearly total," the official said, although some exports of medical supplies will be allowed for "humanitarian reasons."

"The order imposing the trade ban is on the president's desk and has been signed off by all his advisers," the official said Friday. "The administration has been under intense congressional pressure to ban at least oil imports from Iran, despite skepticism among many U.S. policy-makers that an oil embargo could be enforced."

Both the House and Senate earlier this month voted overwhelmingly in favor of a ban on Iranian imports after Commerce Department figures revealed that Iran had become the second-largest supplier of crude oil to the United States in July.

Iran has attempted to purchase \$40 million worth of oil field equipment from U.S. companies to replace machinery damaged by Iraqi air attacks. These purchases would be prohibited by the prospective ban.

A senior official who confirmed the pending administration action said that the congressional pressure had been an important element in the decision.

He said "it was preferable to take such action by executive order" because it would give the administration more flexibility in lifting the ban if Iran softened its attitude toward the United States and toward United Nations efforts to bring about a cease-fire in the war between Iran and Iraq.

One such sign of a changed Iranian attitude would be acceptance of UN Resolution 598, which calls for a cease-fire and a negotiated political settlement to the war.

A trade ban on Iran has been under discussion within the administration for months, and a State Department official explained that Iran's recent missile attack on a U.S.-flagged ship off Kuwait had

hardened the administration's attitude.

## Pan Am Office Bombed

Tehran Radio said Sunday that anti-American attacks such as the bombing Saturday of Pan American World Airways office in Kuwait might recur. Reuters reported from Nicaragua, where the broadcast was monitored.

A small explosive device shattered windows at the seafloor office but caused no injuries. Two Kuwaiti newspapers blamed Iran and its sympathizers.

"What happened yesterday can be cause for concern for American statesmen, as it was directed against a U.S. company and especially because it is not unlikely that such acts of protest will be repeated in Kuwait or its neighboring countries," the radio said.

"There is no effective defense against an individual's quest for martyrdom, and we possess this weapon," Prime Minister Mir Hossein Mousavi told Tehran Radio.

## Kuwait Bolsters Defenses

Military experts and diplomats say Kuwait is seeking more advanced anti-missile systems and is redeploying its American-made Hawk missiles against an increasing threat from Iran. The New York Times reported from Kuwait.

The sources said, however, that Kuwait was unlikely to build an effective screen soon.

Last week, after missiles struck two ships in Kuwaiti waters, including the tanker Sea Isle City, Kuwait's defense forces began moving batteries of Hawks from a ridge near the Iraqi border to Faylaka Island, diplomats said.

The island is roughly between Kuwait's major oil installation at Al Ahmadi and the Iranian Silk-worm sites in captured Iraqi territory on the Faw Peninsula.

But the Hawks missiles had not been set up in time to try to intercept the Iranian missile that struck a Kuwaiti oil-loading platform Thursday, and the troops could only watch helplessly as the relatively slow-moving Silk-worm passed overhead.

Kuwait has also been seeking more sophisticated and diversified anti-missile systems, military experts said, including electronic means to jam the guidance systems of incoming missiles.

"But these systems are very complicated and very expensive," a military expert cautioned. "It could take not just months, but possibly years, to get them operational."



George P. Shultz explaining on Sunday why too much delay might jeopardize a summit meeting.

## SHULTZ: Moscow Cautious

(Continued from Page 1)

curity adviser, Frank C. Carlucci, said on ABC television that it was "quite clear that an INF treaty is within reach," with final completion likely "within a matter of weeks."

If Mr. Gorbachev doesn't wish to come here to sign it, Mr. Carlucci said, "we can sign it somewhere else."

Both Mr. Shultz and Mr. Carlucci said Mr. Gorbachev's stated objections to setting the date last week for a Washington meeting seemed to be connected with his longstanding opposition to Mr. Reagan's Strategic Defense Initiative. Both said Mr. Reagan would not change his stand on the issue, which involves a space-based missile defense system.

Senator Sam Nunn, Democrat of Georgia and chairman of the Senate Armed Services Committee, also said a U.S.-Soviet summit meeting might not be necessary for an arms control treaty.

"I believe the lack of a summit this year may be a blessing in disguise," Mr. Nunn said on television. He said he did not believe an arms-reduction agreement was ready. "We have some terribly difficult technical, but important, verification things to work out."

"So I would rather take our time, not get in a hurry, and get a sound agreement," he said. "Even if it doesn't get signed until next year, and even if it's not signed at a summit."

**Moscow Repeats Terms**  
The Soviet Union said Sunday a summit meeting could still be held this year if Washington agreed to an agenda that would include limits on the Strategic Defense Initiative, United Press International reported from Moscow.

The Soviet position — outlined in an article by the Communist Party daily Pravda — explained why Mr. Shultz left Moscow without a commitment from the Kremlin on a third Reagan-Gorbachev summit.

It also endorsed the Soviet Union's view, stated repeatedly before the Shultz visit, that advances in SDI research would violate the 1972 Anti-Ballistic Missile Treaty, which puts limits on such systems.

**Reagan's Reaction**  
President Reagan played down the setback by asserting that "we're in no hurry" for such a meeting. The Washington Post reported from Washington.

Mr. Reagan added that "we certainly will not be pushed into sacrificing essential interests just to have a meeting."

Mr. Reagan said Saturday in his weekly radio address that "we're closer now to completing a treaty" eliminating medium- and short-range nuclear missiles as a result of the discussions Mr. Shultz held in Moscow.

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## BUDGET: Charges Traded in U.S.

(Continued from Page 1)

spending cuts required under the revised budget-cutting law.

**Broad Freeze Considered**  
Steven V. Roberts of The New York Times reported earlier from Washington:

As White House aides worked over the weekend on their strategy for budget negotiations with congressional leaders beginning this week, they were giving serious consideration to a proposal that would freeze domestic and military

spending, with the exception of Social Security, at this year's levels.

White House aides cautioned that final decisions had not been made on the administration's negotiating position, and that a freeze on spending could take many forms. But they noted that Mr. Reagan had commented favorably on the idea of a freeze in a speech Friday at the Labor Department.

"You won't solve the problem just by raising taxes," a White House official said Saturday. "You've got to put some focus on restraining spending. And you can get to where you want to go by thinking of some sort of a freeze."

In his regular weekly radio address on Saturday, Mr. Reagan tried to set a sober but upbeat tone after last week's unprecedented decline in the stock market.

"Though the market has been volatile," he said, "let's remember, if corrections or fluctuations do occur, that as long as consumers do not overreact by losing confidence, our expansion will continue."

Mr. Reagan spent the weekend at Camp David, the presidential retreat in Maryland, after a week in which many of his domestic and foreign policies suffered severe reversals.

White House aides acknowledged that they now worked for a president who had lost a large share of his ability to shape events in the capital.

"It's not a week to be ecstatic about," an official said. "But things are still working well. We need to hunker down and keep at it."

## PHELAN: NYSE Optimism

(Continued from Page 1)

er articles on international markets, pages 7 and 9.)

Mr. Phelan also predicted that trading hours would return to normal by Wednesday.

"The important thing is that Monday and Tuesday are the settlement days for the two 600-million share days that occurred last Monday and Tuesday," Mr. Phelan said. "Once we get through those two days, we will know whether there have been any real systemic damages done or not."

The stock exchange announced last Thursday that it would shorten trading for three days, shutting down at 2 P.M. last Friday and on Monday and Tuesday this week. Mr. Phelan predicted that the exchange would resume normal trading on Wednesday.

Mr. Phelan said officials would look at ways of regulating the institutional program traders. He said he was particularly concerned about their leverage, or the small amount of money they are required to put up on their investments.

"Clearly there is too much leverage in the system at this time and particularly at both ends, when the market's going up and when the market's going down," Mr. Phelan said.

In program trading, huge blocks of stock are traded as arbitrageurs seek to profit from the difference in value between the cash value of the stocks and futures contracts based on those stocks.

Economists said the stock exchange's decision last Tuesday to impose sharp restrictions on computer program trading helped the market regain some slight equilibrium.

## MARKETS: SPEED: Germans on the Highways

(Continued from Page 1)

U.S. Slowdown

(Continued from Page 1)

Further downward adjustment from the target zones set by ministers last February is inevitable.

The only question dealers pose is whether the adjustment will be made within the framework of a credible package of policy measures or will be forced by speculators mounting an attack.

Official policy is now incoherent — which is why, dealers say, the exchange rate has started to move.

To calm financial markets, the Fed has been pumping liquidity into the banking system. Whatever other worries securities markets faced, cash was amply available and at ever lower rates of interest.

But that lowering of interest rates, without any other policy changes, is destroying the incentive to hold dollars instead of yen or Deutsche marks, dealers said.

Assessing the prospect that governments, particularly Washington, will adopt policies needed to sustain world economic growth and stability, Stephen Marris, an economist at the Institute for International Economics in Washington says:

"We are at the starting gate of a race between economic reality and political inability."

(Continued from Page 1)

nation-wide autobahn speed limit, Mr. Kohl said speed limits "won't bring us anything, we won't do that."

Bernd Bialleck, a spokesman for the traffic ministry, said, "It's not an issue. Speed limits are not being considered. According to our statistics, the average speed on the autobahn is 115 kilometers per hour. The number one cause of accidents on all roads is driving too fast for conditions. Not having a speed limit is both a freedom and a responsibility, a responsibility to drive safely within the context of the conditions."

Those conditions include heavy traffic, varying road-surface quality, time of day and the weather, Mr. Bialleck said.

"Even if there is heavy fog, some drivers simply refuse to slow down," he said. "But the horrible chain-reaction autobahn accidents in bad weather you see in the newspapers aren't because of excessive speeds. Our statistics show the average speed when these things occur is about 80 kilometers per hour. The problem is, in the fog even that is too fast."

The 8,450-kilometer autobahn system is statistically West Germany's safest highway, Mr. Bialleck added, accounting for only 4 percent of all motor vehicle accidents.

Whether fast driving is myth or reality, it certainly is becoming technologically easier. West German automakers are busy building and selling faster and faster cars.

"We build the most technologically advanced cars that we can," said Peter Schütz, managing board chairman of Porsche A.G., when asked about the company's reasons for creating the limited-edition Porsche 959 on which the speedometer runs to 315 kph. Carl H. Hahn, managing board chairman of Volkswagen A.G., calls the automobile "the technical embodiment of freedom."

Whether or not drivers can handle that "technical embodiment of freedom" is another matter. It is a darker side of technological capability that contributes greatly to the German obsession with speed, according to Wolfgang Sachs, a sociologist. In his recent book, "The Love of Automobiles," he suggested it was "lust for victory and fear of insult," that motivated fast drivers to tail-gate at speed or cut sharply in front of other drivers.

On the A5 between Frankfurt and Darmstadt, both those motivations are clearly evident. And the road itself has a history of speed. Prior to World War II, two German race drivers took turns setting the world land speed record on this long straight stretch of highway. Both died attempting to go faster still.

(Continued from Page 1)

Quake Reported in Israel

TEL AVIV — An earthquake measuring 4.4 on the open-ended Richter scale shook the southern end of the Dead Sea and sent tremors throughout the Negev desert on Saturday, the Israeli news agency Ium reported.



Max Studer, First Vice President, Foreign Institutional Investors, with Fritz Glaser, Senior Vice President, Stock Exchange.

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## ALCOHOL: U.S. Supreme Court Is Joining the Debate

(Continued from Page 1)

Association concurred in the decision concept.

Treatment today overwhelmingly rests on the notion that alcoholism is a disease of unknown origin, without a cure, and that the only way to arrest its development is abstinence.

In recent years, however, a growing minority of alcoholism experts pointed that the pendulum has swung too far.

They contend that alcoholism is a behavioral problem, not a medical one. They reject the idea that genetics play a primary role and contend that the disease concept "blurs the issue of moral responsibility."

"People are using alcoholism as an excuse for wife abuse, vehicular homicide, embezzlement, every crime you can think of," said Stanton Peele, a New Jersey psychologist whose book, "The Meaning of Addiction," disputes the notion of alcoholism as a disease.

"The more and more we allow alcoholism to be used as an excuse for misbehavior," he said, "the more misbehavior we get."

Treatment of alcoholics, who Mr. Peele contends are "deficient in certain values," should stress that drinking is a "moral choice," not a disease.

The case before the Supreme Court was brought by veterans who contend that alcoholism, as a dis-

abling illness, prevented them from taking advantage of education benefits in the 10 years after their military discharge.

In denying them an extension of benefits, the Veterans Administration violated the Federal Rehabilitation Act of 1973, which prohibits discrimination on the basis of handicaps. The law was amended in 1978 to include alcoholism.

Extensions can be granted to veterans hindered by physical or mental problems "not the result of their own willful misconduct." The Veterans Administration accepts "secondary alcoholism," in which drinking is a symptom of an underlying psychological problem, as an involuntary handicap, but not the tension of primary alcoholism, in which drinking itself is the root disorder.

The plaintiffs, Eugene Traynor, 46, of New York, who works as a supervisor in a photography laboratory, and James P. McKelvey, 42, an alcoholism counselor who lives in Washington, received honorable discharges from the army in the late 1960s. Both men said they had abstained from drinking alcohol since the early 1970s, when they were hospitalized and treated for alcoholism.

Asserting that alcoholism is a dysfunction beyond the control of

the individual, the plaintiffs were joined in friend-of-the-court briefs by the American Medical Association, the Vietnam Veterans of America and the National Association of Addiction Treatment Providers. These groups are hoping the court, for the first time, will explicitly define alcoholism as a disease.

But it is possible that the court could decide the case on other matters. In 1985 the federal courts, in siding with Mr. Traynor and Mr. McKelvey, held the Veterans Administration policy discriminatory but did not address the disease issue.

But last year the U.S. Court of Appeals in New York reversed the Traynor decision on the ground that benefits policies are exempt from judicial review. In the McKelvey case, the Court of Appeals in Washington agreed to review the policy but upheld the Veterans Administration on the ground that experts were divided over the question of alcoholism as a disease.

The question initially reached the Supreme Court in 1968, in a challenge to a Texas law against public drunkenness. In that case, Powell vs. Texas, the court rejected the argument that public drunkenness should not be considered criminal on the ground that it is alcoholism sickness. In its decision, the court noted that there were differences of opinion on whether alcoholism was a disease.

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# Herald Tribune

Published With The New York Times and The Washington Post

## The Price of a Summit

So Mikhail Gorbachev, perhaps noting Ronald Reagan's travail, has raised the price of a summit meeting. But how did Americans ever talk themselves into believing that a summit with the Soviet leader was something that needed to be paid for? It is an absurd idea. Not for the first time an administration has incited itself to a summit with a meeting as an achievement in its own terms and as a political tonic for a struggling president. The Reagan administration baited a little trap for itself, and Mr. Gorbachev has predictably sprung it.

Let no one think, however, that the Soviet leader has done something indecisively brutish that requires a "tough" American response. Mr. Gorbachev is under no obligation to do Mr. Reagan a political favor. The Kremlin leader is presumably pursuing the Soviet interest. For several years nothing has been clearer in Soviet policy than the determination to bring about limits on America's Strategic Defense Initiative.

Soviet Americans may have let their attention stray from this Soviet preoccupation. Mr. Gorbachev has, we trust, put an end to this sort of wishful thinking. There is a school of American opinion that prizes agreement with the Soviet Union, not to speak of a summit meeting, so highly that it would have Mr. Reagan rush out now to deliver the requisite concessions to Moscow. But this is no way to run a policy.

First of all, for a summit — a mere meeting — Mr. Reagan should pay nothing. Then, he must make the decision that he has resisted making ever since SDI opened up for him the shining vista of a nuclear-free world. He must decide whether the vista is close enough to being realized to justify his rejection of the great gains — great by all past arms-control measures — that now apparently are available from the Soviets.

One part of Mr. Reagan's mind and administration favors taking the deal Mr. Gorbachev offers, a deal providing room for all the SDI progress that many experts believe to be feasible. We think this is the right course. The other part of Mr. Reagan's mind and administration urges him to reject the Gorbachev deal and to pay any price necessary to make SDI a reality. Mr. Gorbachev was never going to let Ronald Reagan avoid this choice, and now it is before the president in starker terms than ever.

— THE WASHINGTON POST.

## No Magic, but a Chance

He may have sounded too vague, too grudging, too short on information and direction. But in his news conference Thursday, President Reagan offered just enough to begin serious bargaining with Congress on the budget deficit. His place in history may now depend on how much more common sense he can muster for the budget negotiations, the Gulf and arms control.

To be sure, the president would have been far wiser to say up front that he had changed his mind and would now permit a tax increase as part of a budget settlement. His world games virtually invited reporters' unceremonious bounding on this point. He added to the confusion Friday by restating his dislike of tax increases. But it is hard to imagine him pulling taxes off the table now.

It would have been splendid if Mr. Reagan had found magical words in the tradition of Churchill or Franklin Roosevelt to lift the spirits of a nation stunned by a sudden crisis, and to dissipate financial and other fears. But in fact words can no longer suffice. The costs of a six-year borrowing binge will not be recovered in a news conference.

What is called for is not a new set of incantations to make people feel better, though many seem to have hoped for just that. What is needed is hard evidence that America's leaders are not so blinded by ideological slogans and narrow political interests that they cannot manage urgent problems.

When Mr. Reagan said Thursday that "everything" is "on the table," it did not take an oracle to divine his meaning. As long as his incoherent comments Friday do not get in the way, the path is open to trim the

budget deficit by at least \$23 billion by spending cuts and new taxes. It is important that agreement be reached quickly to create a sense of accomplishment and momentum.

The president also has to define a broader strategy for dealing with the financial crisis. The immediate goal must be to deter the flight from the dollar to other currencies. Such a rout would further financial panic, produce an enormous upsurge in interest rates and almost certainly show the world economy into recession.

Similarly, Mr. Reagan could not in a night overcome the confusion sowed by his previous flailing around on the Gulf. He surely was right not to throw a new match into the volatile Gulf situation. For the moment, calm is required here in order to deal with economic issues. But, as with the market crisis, it is critical that the administration press forward with a broad plan to end the Gulf war. It is too risky to simply ride the rising tide of violence.

On arms control, there is also no time to lose in setting a date to meet with Mikhail Gorbachev. Moscow made clear Friday that the summit conference now depends on Mr. Reagan's compromising on his "star wars" dream. That dream is likely to crash in any event on budgetary and technical realities. Why not get something for it beforehand?

A summit session with new arms treaties would provide the White House with a badly needed achievement after a year of cascading failures. It also would improve the president's capacity to deal with the concurrent crises of finance and the Gulf.

— THE NEW YORK TIMES.

## Just Sensible Governance

To begin responding to the alarm set off by Wall Street in the last two weeks does not require draconian or revolutionary measures. It calls for relatively painless and obvious compromises: For America the first order of business is a sound and convincing commitment to shrink the budget deficit. For West Germany and Japan it means some stimulation of their economies. If the elected leaders of these three powers cannot manage these steps, they cannot govern.

The message from the stock market meltdown is clear, and not new. Endless huge deficits in the budget and foreign trade spell trouble, and it was frightening for Washington to behave as if they didn't. While President Reagan must bear primary responsibility for the crisis of lost confidence, he cannot restore it alone.

Congress has to help, by scrapping its protectionist trade bills as well as dealing sensibly on the budget. Help must come, too, from foreign governments whose economic fate depends on U.S. growth and price stability. That means West Germany and Japan must overcome their preoccupation with inflation and adopt policies for faster growth as the United States moves toward austerity.

The president has led the electorate and Congress down the garden path with nostrums that George Bush aptly dubbed "voodoo economics" before he became the witch doctor's running mate. Congress collaborated in this nonsense, but Mr. Reagan's formula was politically irresistible and his popularity overwhelming.

The trick now is to dig out. There was welcome progress last year, but one year is not enough, and this year was a standoff until the stock market forced President Reagan's agreement to negotiate. He still proposes only nondefense spending cuts, plus a miscellany of user fees and one-shot sales of government assets. Those cuts are far too

harsh on the disadvantaged, and his revenue scheme remains unconvincing. Congress answers with a more reasonable rationing of outlays, but Senate and House Democrats' tax packages are patchwork. Tacking the consumption of energy would be better, like higher taxes on tobacco and alcohol.

Mr. Reagan is now willing to put "everything" on the table with the exception of Social Security. Given the urgency of quick agreement, another shoot-out over Social Security right now would waste time. But the budget problem can never be resolved if benefit entitlements are unchangeable.

For the moment, though, it is enough that President Reagan accept the need for higher taxes at long last, if indeed he does. "Over my dead body" combativeness is out. Turning conciliatory, he now says "I am willing to look at whatever proposal is offered." He must also be flexible on cutting back the excesses of the Pentagon.

With the threat of a recession suddenly more ominous, many ask whether fiscal tightening still makes sense. It does. Budget paralysis-as-usual, as if last Monday's 308-point drop in the market was just a bad dream, would further shatter the world's fragile confidence that the U.S. government can govern. And the \$23 billion hit required by the Gramm-Rudman-Hollings budget law is relatively small, particularly when divided between spending reduction and higher taxes. This should not devastate the economy if interest rates remain low enough.

What is essential now is that the government treat the budget deficit responsibly for a change — not with paper savings and phantom revenues. The total cutback must add up to a real \$23 billion this year and, barring recession, more later. No smoke and mirrors this time. No more voodoo. Just a modicum of sensible governance.

— THE NEW YORK TIMES.

## Other Comment

### To Stave Off World Recession

The democracies of the West face one of their greatest challenges: to devise and implement the policies to avoid the Great Crash of 1987 from turning into worldwide recession. America [must] reduce its credit needs. But that can only be done if West Germany and Japan take up the slack. International coordi-

nation of economic policy is essential. The finance ministers of the world must now agree to a general interest rate "disarrangement" to encourage economic activity, a new and lower target for the dollar to reduce the U.S. trade deficit, and increased demand in West Germany and Japan as America cuts its budget deficit. Nothing less will stave off recession.

— The Sunday Times (London).

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## A Toughened Queen Aquino May Yet Succeed

By Theodore Friend

NEW YORK — Corazon Aquino, who came to the presidency in the Philippines on her own bravery and the votes of courageous Filipinos, has had a year and a half to experience the gall of power as well as its glory. Her tough speech to Filipino businessmen last week shows that her learning curve is spiking up again, in its constant race with curves of expectation and opposition. For now, though, the outcome of this race — and the future of Philippine democracy — is unsure.

The task when she came to power was threefold: to care for the indigent, curb the intransigent and quell the insurgent. She has had mixed success. Inflation has been cut from 20 percent in President Ferdinand Marcos's last year to near zero. The gross national product, which fell by nearly 10 percent in each of the last two Marcos years, grew by 5.5 percent in the first nine months of 1987. But at this rate, a return just to 1975 living standards might take until 1991. High expectations have led to sharp frustrations.

The depopulation of the Marcos loyalists have failed. The exiled dictator himself, prevented from returning to the Philippines by the State Department, lives on in Honolulu. But many Philippine personalities and forces are critical of Mrs. Aquino.

Mrs. Aquino may or may not get teamwork from the cabinet she formed after the August coup attempt. Either way, public policies have been greeted to the growing style of the 1960s. Worse, Latin-style coupsters in the army remain on the loose. They challenge those led by Chief of Staff Fidel Ramos, who observe, as a point of American-imposed principle, civilian supremacy over the military.

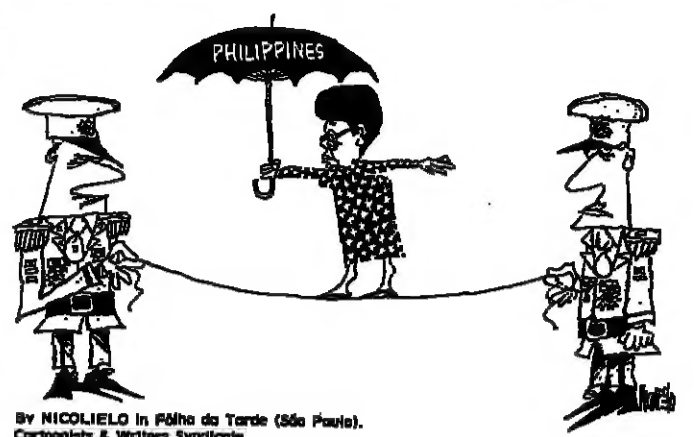
General Ramos's task, with an under-equipped, demoralized and increasingly schismatic military, is to contain and eventually defeat the Communist guerrillas. The New People's Army is now estimated at 24,000. Economic progress is not rapid enough to make it dry up and Philippine Army efficiency is far from adequate to blow it away. The rebels' organization and leadership

are not awesome and their terrorism is not inspiring. But their army grows. Some months before he was murdered, I asked Benigno Aquino how, if he ever returned to power, he would attack the problems of malnutrition, inflation, hyper-corruption, laggard growth and large-scale debt.

He laughed. "If I returned to power? Those problems would be Marcos's revenge on me." His articulate realism and buoyant jesting would have helped in rough moments. He said he would retain many emergency powers but would restore habeas corpus. He admired what Park Chung

was in directing what is "right," if only her advisers could agree on what is best. She exudes the genuine sympathy of a Mother of Sorrows. But what inspires individual souls may not cure a sick society. Corazon Aquino by her life and character draws Filipinos to her, an exemplar of forbearance, forgiveness and triumph over what is base in human affairs. But the Philippines needs her as both a symbol of national unity and a firm chief executive.

The gasping we have been hearing is another breathing spell in Manila. The poor and landless look up in



By NICOLELIELO IN Pina de Tard (Sole Pina). Cartoonists &amp; Writers Syndicate.

Hee had done to help develop South Korea in his first decade as president. "Marcos's revenge" has instead stricken Mr. Aquino's wife. Unlike Mr. Marcos, she is compassionate and consultative. But she compares badly with President Ramon Mag-saysay, who copied effectively with the Huk rebels 30 years ago. Her population thus far lacks economic gunpoint and military gut.

Whatever Mr. Aquino might have made of a presidency, Mrs. Aquino's style has veered between that of a constitutional monarch and a Mater Dolorosa. She is capable of regal te-

disappointment. Critics in the middle class, those who represented "people power" in the triumphant days of February 1986, are hanging back, even applying for resident visas in the United States. But now, in her recent speech, Mrs. Aquino is clearly sounding a new note: She pledges that "Henceforth, I shall rule directly as president." The words are reassuring to those fearing drift. No one else could lift the spirits of so many of her people by hands-on governance.

America's tutelary days in the Philippines are long gone. The political epiphany of February 1986, in which

the writer, president of the Eisenhower Exchange Fellowship, will soon publish a history of the Philippines and Indonesia under the Japanese occupation. He contributed this comment to The New York Times.

Most countries of Latin America now have trade surpluses. At present the United States should take a little of its own advice. It can avoid paying similar costs only if it acts before the debt has accumulated further and before the unavoidable import-price inflation becomes embedded through increases in domestic wages and prices.

If America could reduce its budget deficit by \$30 billion to \$40 billion annually, it could offset the effect of a shrinking deficit on the economy with lower interest rates, and not have to worry so much about foreign capital drying up. That would give financial markets the relief they need.

Other industrial countries could then follow the U.S. lead and reduce their interest rates. If they did so, that would foster world economic growth by stimulating capital investment in the industrial countries and reducing the debt burden of the developing countries. Faster growth abroad also would help expand the market for U.S. exports.

If other countries chose not to lower their interest rates, funds would flow out of U.S. markets, and the dollar would decline in value. But U.S. goods would be more competitive. They would lose, and Americans would regain much of the share of world markets lost in the first half of the decade.

— Barry Bosworth, an economist at the Brookings Institution and former director of the Council on Wage and Price Stability, in The Washington Post.

## High Interest Rates, Not Deficits, Are the Real Culprit

By Robert Eisner

CHICAGO — In the aftermath of Black Monday, almost everybody is knocking the deficit. And so it has always been, usually in the face of all reason and logic.

Republicans used to do it, blaming Democrats from Franklin Roosevelt on. And now Democrats think they can make good political capital, blaming Reaganomics and the Republicans. It didn't take the politicians and financial wizards long to find the most convenient and conventional whipping boy: The market crashed because of those huge federal deficits and the accompanying exploding debt. We cannot keep "living beyond our means" without facing a final judgment. The market saw this and finally panicked in a collectively futile effort to get out in time.

The remedy is clear. We must get our act together and cut that deficit. The trouble with this argument is that it is wrong. Throughout history, larger deficits have not brought on market declines. Over some 30 years, at least, increases in the budget deficit have been associated with concurrent and subsequent increases in the Dow Jones industrial average.

The explanation is not hard to find. Bigger deficits, unless brought on by recession, tend to stimulate the economy. Deficits entail more spending by the private sector when caused by tax reduction or more public spending when brought on by government payouts, or both.

The most recent confirmation of this is the great five-year bull market that accompanied the hugely expanded budget deficits from 1982 on. And — surveys of conventional wisdom should think about this — in the last year the deficit has come down enormously. It was

a tremendous \$221 billion in 1986 and about \$148 billion in the fiscal year that ended Sept. 30.

If large budget deficits caused the market to crash, why did the market roar along when the deficits were at their greatest and triple only after the deficit fell by 33 percent?

There is indeed an explanation for what brought the market down, and that is rising interest rates. As every investor knows, rising interest rates mean falling bond prices and, unless rising profit expectations compensate, falling stock prices as well. Interest rates have been rising for some time, but with Alan Greenspan's arrival as chairman of the Federal Reserve Board in August, the rise turned into a rush.

As many commentators warned, restricting the money supply in an attempt to combat inflation was exactly the wrong way to go.

It is often contended that the budget deficit brings on rising interest rates. Again, the facts are otherwise. The deficit rose from \$79 billion in 1981 to \$128 billion in 1982, and averaged over \$200 billion from 1983 to 1986. Interest rates, as measured by 10-year Treasury securities, fell during this period — from 13.91 percent to 7.68 percent, and inflation fell sharply as well. From August to September of this year, as news came in that the budget deficit was running less than expected, those same interest rates, already up to 8.76 percent, soared to 9.42 percent.

By stimulating economic growth, larger budget deficits may put upward pressure on interest rates. But the dominant factor in interest-rate movement is monetary policy. And that is determined by the Fed.

It is, after all, a familiar manner of supply and demand. Interest rates are the price of borrowing or holding money. Given the demand for money, if the Fed restricts the supply, interest rates will rise.

There is hope. After the debacle of Black Monday, Mr. Greenspan and the Fed sharply reversed field. They announced that they would make money and credit simply available, and backed that up with action in the securities markets. Interest rates promptly plummeted, which meant that bond prices rose sharply. With that, Wall Street, and markets around the world, rebounded.

For that recovery to continue, and to avoid a serious recession, monetary easing must be sustained. Interest rates must be driven lower and kept down. That would narrow the deficit as it improves the economy.

But the conventional wisdom of lowering the deficit by raising taxes or cutting government expenditures — whatever the merits of reducing certain swollen budgets, such as those of the Pentagon and farm programs — threatens economic disaster. It is a mindless throwback to the economics of Herbert Hoover.

The writer, a professor of economics at Northwestern University, is president-elect of the American Economic Association. He contributed this view to The New York Times.

## Latin America's Lesson for the North

IN 1981, when the poorest countries of the world were faced with a debt crisis, President Reagan advised them to tighten their belts and live within their means. Surprisingly, they managed to do so — albeit at extremely high costs in terms of unemployment and reduced living standards.

Most countries of Latin America now have trade surpluses. At present the United States should take a little of its own advice. It can avoid paying similar costs only if it acts before the debt has accumulated further and before the unavoidable import-price inflation becomes embedded through increases in domestic wages and prices.

If America could reduce its budget deficit by \$30 billion to \$40 billion annually, it could offset the effect of a shrinking deficit on the economy with lower interest rates, and not have to worry so much about foreign capital drying up. That would give financial markets the relief they need.

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— Barry Bosworth, an economist at the Brookings Institution and former director of the Council on Wage and Price Stability, in The Washington Post.

## Mitterrand, Vital at 71, Sails On Serenely Toward '88

By Jim Hoagland

PARIS — The most important event of France's presidential campaign occurs today, two months before electioneering starts in earnest: François Mitterrand turns 71.

Only his advanced age is likely to keep the incumbent French president from seeking, and winning, a second seven-year mandate. My sense is that after long hesitation Mr. Mitterrand has decided to run and the election will turn on the electorate's view of his ability to finish a new term.

He will not announce that decision until February. But as the signs of his candidacy multiply, his health and alertness will come under the kind of scrutiny that was applied to Ronald Reagan, another septuagenarian leader who won re-election, back in 1984.

Mr. Mitterrand does not seem to be burdened by his age in the way Mr. Reagan often does. He has just returned from barnstorming trips across South America and West Germany, where his vitality and agility astonished friend and foe alike. His perceived victory over what de Gaulle once called the "shipwreck of old age" helps him float effortlessly above his rivals in the opinion polls.

But French voters are keenly aware that in the 29-year history of the Fifth Republic, no president has finished a second term. De Gaulle resigned, Georges Pompidou died in office, Valéry Giscard d'Estaing was defeated. These are hardly propitious omens for François Mitterrand.

Neither is the ragged ending that the Reagan presidency risks today. Mr. Mitterrand's advisers have long feared that his standing could suffer if the 76-year-old American leader were to "go ga-ga," as one aide put it months ago, at the end of his term.

As the Democrats found out against Mr. Reagan in 1984, age is not a

successful attack issue. Only the mental lapses or visible frailty of the older candidate can make age a swing factor. Mr. Reagan showed that he can be quickly overcome if handled well.

President Mitterrand's conservative opponents appear to have come to the same conclusion. A few months ago, they publicly rattled the specter of his declining Mitterrand unable to rule if elected, but quickly dropped it when their comments drew more ridicule than support.

In a televised interview, Mr. Mitterrand recalled that it was the conservatives who had failed to renew the license of a television channel that showed only rock music videos. He regretted this, he said, since he enjoyed rock music himself.

Known as the Florentine because of his ability to maneuver in the shadows, Mr. Mitterrand is at the top of his game in the ambiguous situation created by the defeat of his Socialist Party in the National Assembly elections last year. He has turned the party defeat into personal advantage by redefining the presidency into part super-statesman, part national referee.

Many expected Mr. Mitterrand to be eclipsed by Jacques Chirac, 54, the dynamic and resourceful conservative prime minister forced on Mr. Mitterrand by the elections. The president's formal powers are limited by the constitution to oversight of foreign affairs and defense. But Mr. Mitterrand has nimbly used those powers to rebuild his image. As he demonstrated again last week with a state visit to Bonn, he has taken control of the vital French-German relationship, an electoral asset here. He has been totally supportive of Chancellor Helmut Kohl while Mr. Chirac has angered Mr. Kohl and others in Bonn by questioning their arms control policies.

Two dominant factors are pulling Mr. Mitterrand into a new campaign despite his desire to retire and write his memoirs. One is the collapse of the Socialists, who appear unable to win or even run a serious campaign if he is not the candidate.

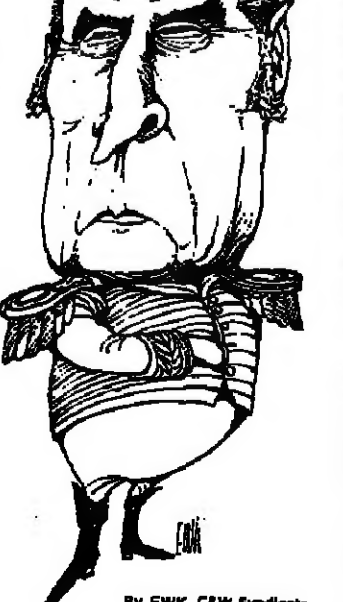
Second is the president's growing animosity toward Mr. Chirac, who will run in the election next spring. Their relations, once cordial, have soured to the point that Mr. Mitter-

rand appears to friends to be committed to blocking Mr. Chirac's run for the presidency, whatever the cost.

Many expect Mr. Mitterrand to tackle the age issue by proposing to shorten the presidential term to five years. My information is that he will leave this ambiguous in the campaign, just as he will cloak his plans for constructing a new parliamentary majority.

Ambiguity is to François Mitterrand what the briar patch was to Brer Rabbit. He is comfortable in it, and turns it to his advantage. It is a talent that clearly improves with age.

The Washington Post.



By EWK. CAV Syndicate.

## OPINION

## It's No Time For Spain To Retreat

By Edward Schumacher

MADRID — A number of eyes are being turned in Washington and other NATO capitals these days about the Spaniards. Some of the kinder ones are "obstreperous" and "treasonous."

Just as the United States and the Soviet Union are about to start their nuclear arsenals in Europe, raising the importance of conventional forces, the government of Prime Minister Felipe Gonzalez is demanding that Washington withdraw a key wing of F-16 fighters from bases in Spain.

If the Reagan administration insists, the Spaniards, unswerving for more than a year, promise in three weeks to submit the required six-month notice to end the agreement for all American bases in Spain.

What was a confrontation of principle now threatens to escalate into the loss of other bases such as the giant 6th Fleet base at Rota — a nasty precedent for bases elsewhere, and a Spanish retreat from the West. The Spaniards are clearly in need. Close inspection reveals that, for historical and political reasons, the airplanes have to go. But Western security dictates that the Gonzalez government must make up for the loss.

The wing, the 401st Tactical Fighter Wing, consists of 72 F-16s and nearly 5,000 American airmen and civilians. Their job is to reinforce the southern flank of the North Atlantic Treaty Organization, all the way to Turkey.

Mr. Gonzalez, unlike Greece's often difficult prime minister, Andreas Papandreu, likes the American presence, but many of his people do not. Opinion polls show that a substantial majority of Spaniards find the United States an equal or greater threat to world peace than the Soviet Union.

Isolated for nearly 20 years behind the Pyrenees, neutral in both world wars, the Spaniards were never a beneficiary of the Marshall Plan, never an East-West ally. The bases were established in 1953 as a real estate deal with Franco, giving them an added political odor that lingers.

Spain has changed extraordinarily in the past decade, emerging as a solid democracy and, in a historical return to the mainstream West, joining the European Community last year. But while there is no visceral anti-Americanism, old attitudes about neutrality and the bases remain on right and left.

Mr. Gonzalez once opposed the bases as he opposed the joining of NATO in 1981. He swayed easily in office and, in a last-minute reversal, won approval of NATO. The victory was vital for the West, not least because Spain sits on the Strait of Gibraltar, is demographically young and economically burgeoning. But there was a price. To guarantee its passage, the referendum question added that Spain would stay outside NATO's military command and that the 13,000 U.S. troops here could be cut back.

Whether that cut had to include the 401st can be argued. The Spaniards thought that the bases were an important to Western defense and that America would not strenuously complain. They were wrong. But any reversal now would mean political upheaval. It could break Mr. Gonzalez's young Socialist Party, and reverse the nation's shaky consensus on NATO.

The 401st probably will be forced to withdraw to the United States, depriving NATO of critical forward deployment. But moving to countries such as Portugal or Italy would be costly and raise political problems.

Still, the loss of the bases can be replaced. Spain is in the midst of receiving a wing of 72 F-18s, a comparable plane to the F-16. NATO analysts say the Spaniards could be trained up to NATO standards and take over much of the American mission.

West European leaders are already pressing the Spaniards to think of the greater interest. But the Spaniards are dangerously proposing that Spain's only military duty be to protect Spanish territory, ignoring the all-for-one-for-all essence of NATO. Anyway, once a war got to Spain, it would be too late for Spain to sail.

The idea of forming a purely West European defense — that is, NATO without the United States and Canada — is popular in Spain. For Mr. Gonzalez to find a domestically saleable formula to contribute to Europe by replacing the 401st would not take much imagination. It is the stuff of leadership. As Mr. Gonzalez himself has said, with membership in the West comes responsibility.

The writer, a former foreign correspondent for The New York Times, is working on a book about Spain.

## 100, 75 AND 50 YEARS AGO

### 1887: Bedeviled Science

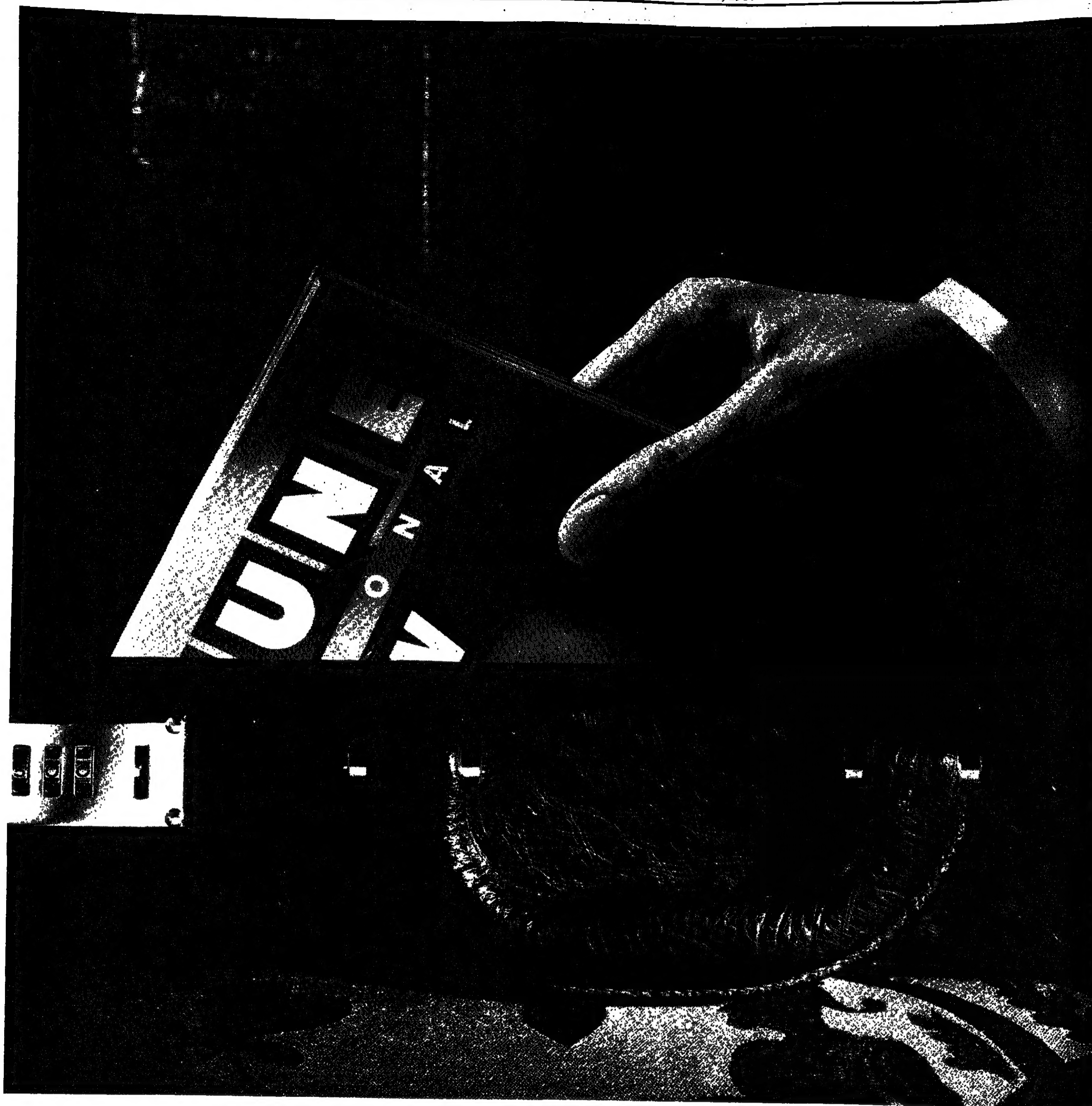
PARIS — The most curious feature of the annual celebration of the Five Academies (on Oct. 25) was the tribune of M. Garnier, the architect of the Opera House, who, apropos of "Art and Progress," read one of the most hot-headed attacks on modern science ever written. M. Garnier has a very low opinion of telephones, and thinks that phonographs and steam are sending art to the devil. The only hope he sees is in a social cataclysm which, sweeping away the degenerate art and science of today, will pave the way for a new civilization, sans lady tailors, chromos, mechanical organs, and like abominations.

### 1912: Rebels Executed









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### NEW

### FLOATING RATE NOTES

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## New International Bond Issues

Compiled by Laurence Desvillettes

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
<b>FLOATING RATE NOTES</b>						
Sprint II	\$ 35	1992	0.20	100.10	—	Over 6-month Libor. Noncallable. Fees 0.15%. Denominations \$100,000.
Wings 2	\$ 37.5	1992	1/4	100.05	99.88	Over 6-month Libor. Noncallable. Fees 0.10%. Denominations \$100,000.
Electricité de France	¥15,000	1994	1/16	100	—	Over 6-month Libor. Callable at par in 1989. Fees 0.25%. Denominations 10 million yen.
<b>FIXED-COUPON</b>						
Barclays Bank Finance	\$200	1989	10 1/4	101 1/4	102 1/4	Noncallable. Fees 1 1/4%. Denominations \$100,000.
European Investment Bank	¥100,000	1993	12	100	—	Callable at 101 1/4 in 1991. Fees 1 1/4%.
DNC Finance Int'l	CS 50	1989	11 1/4	112 1/2	—	Noncallable. Each \$10,000 bond with one warrant to buy \$2,700 with starting of a fixed exchange rate to be set Nov. 5. Fees 1 1/4%.
Eurofima	CS 75	1990	10 1/4	112 1/2	111.11	Noncallable. Also 7,500 warrants, exercisable on Oct. 20, 1990, to sell U.S. dollars for sterling at a fixed exchange rate of \$1.65 per pound.
Wings 1	Aus 129	1996	8 11/16	100.96	—	Noncallable. Payable in U.S. dollars and redeemable in NZ and Aus. dollars, sterling and Deutsche marks. Fees 7 1/2%. Denominations Aus\$1 million.
Centrust Savings Bank	¥2,700	1992	6	101 1/4	—	Noncallable. Fees 1 1/4%. Denominations 20 million yen.
Centrust Savings Bank	¥4,000	1994	5 1/4	101 1/4	—	Redeemable and callable at par in 1992. Fees 1 1/4%. Denominations 20 million yen.
Skop Bank	¥5,000	1992	3	100 1/4	—	Coupon will be 3% until 1989, rising to 7 1/2% thereafter. Fees 1 1/4%. Denominations 100 million yen.
<b>EQUITY-LINKED</b>						
Avis	£ 50	2002	5 1/4	100	94.00	Redeemable at 143 1/4 in 1993 to yield 10 1/4%. Convertible into Avis Europe PLC shares at 447 pence per share, a 37 1/2% premium. Fees 2 1/4%.

## Turmoil in the Markets Could Benefit Lenders

By Carl Gewirtz

PARIS—Last week's turmoil in financial markets can only mean good things for the international bank business, bank managers report.

They expect a period where both bond and stock markets will be unresponsive to the sale of new paper, driving companies who want money back to the banks. At the same time, borrowing costs are expected to rise. That's likely if the volume of business picks up.

But it may be inevitable regardless of what happens to volume. Brendan Brown of County NatWest Bank said last week that

### INTERNATIONAL CREDIT

"Investors, scared at the possibility of losses at banks heavily involved in equity markets and the securities industry, might reduce their demand for deposits — particularly in offshore centers — and increase their demand for first quality bonds, especially U.S. Treasury bonds and bills."

In addition, he said that the interbank market might witness "a reduced willingness to lend to Japanese banks, who are, in aggregate, large net borrowers in the Eurodollar, given their perceived risk exposure to the Tokyo equity market."

Regardless of what happens to the banks' cost of money, those who lost money in the debacle in financial markets will be searching for higher returns than previously prevailing in the credit market.

Even before last week's crash, bankers say Japanese banks — which are estimated to account for 40 percent of the syndicated credit market — were being forced to seek higher returns on loans because of the new rules on capital requirements expected to emerge by year-end.

There was no evidence of this affecting business yet, but bankers said that last week's facility for Lafarge-Coppee was likely to be the last of the low-cost business to hit the market.

The French company is seeking a five-year facility of 450 million European currency units. The drawing options include domestic franc, which means the facility is really open only to banks operating in France.

The annual facility fee is 4 basis points, matching what Aerospaciale paid for a seven-year facility earlier this year. The charges to draw on the facility are 10 basis points over the London interbank offered rate to draw francs, and Libor flat for Eurocurrencies.

In addition, Lafarge-Coppee will pay utilization fees of 3 basis points for drawing up to half the amount and 6 basis points for more than that. Front-end fees range up to 6 basis for an underwriting of 30 million ECU.

Bankers also report that OTE, the Greek state-owned telecommunications agency, is seeking terms on a loan of \$150 million.

Elsewhere in the dollar market, National Bank of Canada's London branch has set up a \$500 million Euro-certificate of deposit program with an option to issue paper in sterling. Dealers are Morgan Stanley, Swiss Bank Corp. and S.G. Warburg.

Orient Leasing (Caribbean) N.V., a unit of Orient Leasing of Japan, has appointed Morgan Guaranty, Morgan Stanley, County NatWest and Swiss Bank Corp. to place up to \$100 million of Euro-CP. Sanwa Bank will guarantee one program of \$60 million and the remainder will carry the guarantee of the Industrial Bank of Japan.

In the sterling market, Citibank is syndicating a £200 million credit

## China, Soviet To Take Part in Eurotunnel Loan

Compiled by Our Staff From Dispatches

LONDON — China and the Soviet Union will lend a total of \$105 million (\$173 million) to the British-French consortium that is planning to build a tunnel beneath the English Channel, a spokesman for Eurotunnel said.

The Moscow Narodny Bank is expected to put in £65 million and the Bank of China and China's Citic Industrial Bank are expected to lend £40 million, the spokesman for the group said Saturday.

Eurotunnel plans to raise £5 billion of the £6 billion cost of the tunnel from 198 banks. The banks' underwriting agreements will be conditional on the consortium raising £750 million next month in a share issue. Analysts say the issue could be jeopardized by last week's stock market collapse.

for Mountleigh Group. The property company's two-year facility can be extended to five years, at the option of the lenders. Interest during the first year is set at 1/2 point over Libor and thereafter at 1/4 point.

Mountleigh will pay 1/4 percent on undrawn amounts as well as picking up the reserve asset costs of lenders. It is estimated that this will add another 7 to 8 basis points to the cost of the loan.

Leeds & Holbeck, the British building society named First Chicago to arrange a £30 million, five-year loan. Interest is set at 18 basis points over Libor and the commitment fee is 6 1/4 basis points.

Mo Och Domsjö AB, the Swedish paper company known as MoDo, appointed Warburg to arrange an uncommitted bankers' acceptance facility.

## OPEC Leader Sees New Difficulties in Setting Pact

Ribwan Lukman, president of the Organization of Petroleum Exporting Countries and Nigeria's oil minister, has a difficult task ahead. At a time of turbulence on world financial markets and persistent tensions in the Gulf, he has been preparing the ground for OPEC's next full conference, in Vienna in December. He acknowledges that debate at the meeting, which will attempt to fix a new reference price for crude oil contracts and new production quotas among OPEC members, may be "very heated." But Mr. Lukman's diplomacy has won praise from all sides, particularly in an environment of growing friction between two OPEC members, Saudi Arabia and Iran.

On Friday, Mr. Lukman delivered the keynote address to the eighth annual OPEC Conference in London, sponsored by the International Herald Tribune and Oil Daily. At the conference, he spoke with the IHT's London correspondent, Warren Getler.

Q: How is the recent sell-off on global stock markets likely to affect OPEC's pricing decision at the next plenary meeting in December?

A: I think it's premature to start talking about how events in the stock market are going to affect oil prices because one doesn't quite know how far this is going to go or for how long. We'll have to wait and

see until the stock market stabilizes. Our interest will be to what extent it's going to affect future demand for oil, whether it's going to bring a recession on from now until 1988, or whether it's just a hiccup in the system that will blow over. We'll have to pitch our production levels in accordance with the emerging scenario as we understand it.

### MONDAY Q&A

Q: You have said that some OPEC members would like to see a price hike of \$1 to \$2 a barrel above the current average of \$18 a barrel. You have also said that OPEC in December might "adjust" prices to between \$19 and \$20 a barrel to compensate for the depreciation of the dollar, the currency in which oil is priced. Where would you like to see the price fixed at the December meeting?

A: I first would like to look at the arithmetic more closely, see what in fact has happened to the dollar and what inflation there has been over the last 12 months.

Q: Do you think \$20 a barrel is realistic, that is, sustainable? And if it were, at what level would OPEC have to impose a production ceiling?

A: I'll be prepared to talk about \$20 a barrel at a time when the average price of a barrel was around that level, production was approaching 17.5 [million] and 18 million barrels a day. Demand for OPEC oil is now around 18 million barrels a day and prices are marginally above our official prices. Of course this is not all due to a

demand and supply situation. Other considerations might be tensions in the Gulf. Depending on what happens in the Gulf and what happens to the international economy, via-4-vis what is going on in the new scenario for what we think will be demand for OPEC oil in 1988. You can't pitch your price at any level irrespective of demand, unless you are prepared to go very heavily down on your production. If the price were set at \$20, production would unlikely be above 19 million barrels per day.

Q: OPEC agreed in June to impose a production ceiling of 16.6 million barrels a day for the second half of 1987. At what level is OPEC producing now, and are certain OPEC members still "cheating" by exceeding their quotas?

A: Production in October is at least 17.5 to 18 million barrels a day. We're really going around the Gulf States and they've given us assurance that they're cooperating. We know that production in the Gulf has gone down. We want to keep production in the fourth quarter below 18 million barrels a day.

Q: Do you have any reason to believe that Saudi Arabia has been discounting the sale of its crude below official OPEC prices?

A: We've seen in the papers, in the press, that people are accusing Saudi Arabia of discounting. I believe that Saudi Arabians would not do that. They've stuck by the agreement, they've been one of the most ardent supporters of the agreement. I'm

almost certain that they're not discounting. We were there, and they would have told us if they were even thinking about it. Q: Given the flare-up involving Iranian pilgrims in Mecca this summer and the attack Friday on a Kuwaiti oil refinery, presumed to be the work of an Iranian Silkstorm missile, do you think it will be possible in December to forge an agreement involving the Saudis, Kuwaitis and Iraqis on one hand and the Iranians on the other?

A: We'll try. We have been able to fashion out agreements in spite of differences, in spite of the war. Of course, the situation is getting a bit worse from that point of view. With the event in Mecca, with the attack on the Iran oil refinery, with the subsequent attack on Kuwait, things will be more difficult than they were before.

Q: What do you foresee as the most difficult issues ahead at Vienna?

A: Price, obviously. The second one is, of course, the production quota business. How are we going to bring Iraq back into an agreement, with a quota that it will accept and that will be acceptable to all members of OPEC, including Iran. How are we going to be sure that people are going to comply with these quotas. These will be the major issues.

Q: You're not a betting man, but would you be willing to wager that the price of OPEC crude will be set above \$18 a barrel in December?

A: I'm forbidden to gamble, I'm a Moslem.

## HONG KONG: Rescue Is Set for Futures Exchange

(Continued from Page 1)

Chicago. Their growth is partly attributable to the highly speculative nature of stock trading in the territory.

The rescue package is made up of \$128 million from local brokers and the guarantors of the futures market, and an equal contribution from the government. The funds are to be used to support contracts on which long investors either default or delay payments. The plan also calls for new charges on transactions in both the stock market and the futures exchange.

The package was developed in a series of emergency meetings among government officials, independent advisers, market executives and prominent investors. The plan was widely welcomed, and if the markets were to lift the suspension on trading in time for Monday's session.

The Hang Seng ended the last trading session at 3,362.39, a drop of 420.81 points from its previous close.

The fall meant that "long" investors, who expected the market index to continue an extended upward climb, would have to cover positions in the futures market that had been opened on margins of only 8 percent to 10 percent of the face value of the contract.

Last Thursday the government appointed Hambros Bank Ltd., a London merchant bank, to assist in developing a rescue plan.

Although the plan has been generally well received by market analysts, stocks are still expected to come under heavy selling pressure on Monday from individuals and from mutual funds faced with substantial redemption orders.

It will be the first opportunity for investors in Hong Kong to react to the turmoil in global equities markets last week. Accordingly, most analysts anticipate a record plunge in prices.

"As far as prices are concerned, they've taken a bad situation and made it worse," said Marc Faber, managing director in Hong Kong for Drexel Burnham Lambert (H.K.) Ltd. "Closing the market

means it will now reopen and shoot much further down than it would have if it remained open."

Last week, exchange officials asserted that the trading in stocks and futures was leading to protect small investors and to allow the share market to clear a backlog of orders that resulted from unexpectedly heavy volume last Monday.

Nonetheless, the four-day shutdown, during which global stock trading was in chaos, has drawn widespread local criticism and led many foreign investors to question the credibility of Hong Kong's as a major financial center.

Many market observers believe the move, which has been vigorously defended by Ronald Li, the stock exchange's chairman and vice chairman of the futures exchange, was taken to save influential investors and local brokerages from heavy losses on their futures positions.

Mr. Li, who is known to hold a substantial number of long futures contracts, resigned Sunday evening as vice chairman of the futures exchange, government officials said. Kim Chee, the market's chairman, also resigned.

The exchange's ability to regain some of the credibility it has lost now depends on the steps it takes to remedy the shortcomings in the futures market that led to the current debacle, market analysts said.

"In the short run, obviously there's been some damage," said Daniel Gressel, an economist at G.T. Management (Asia) Ltd., a fund investment firm.

"But if this leads to the correction of unsound practices, it'll have some long-term benefits for Hong Kong."

Analysts were generally optimistic that the rescue plan would help restore confidence.

"They did all the right things," one financial executive said. "They fired the right people, and the patch should hold."

Daily volume in the Hang Seng contract is about 20,000 and each contract is worth about 180,000 Hong Kong dollars (\$23,060).

Given the relative size of the Hong Kong market, which was

capitalized before last Monday's slide at roughly \$80 billion, one-tenth the size of Tokyo or New York, the contract has been unusually active.

There are currently about 37,500 open contracts in the futures exchange. Based on last Monday's closing Hang Seng index, the total value of these contracts is roughly \$800 million to \$1 billion.

The potential losses are large, since each one-point movement on the share index alters the value of a contract by about \$6.25. A drop of 1,000 points would mean losses of about \$237 million for long investors and corresponding gains for those who were "short," expecting the market to drop.

Most of the short investors are mutual funds and other large investors who were hedging positions in the stock market itself. Most of the long investors were individual speculators and local entrepreneurs seeking quick gains on margin in an overly confident environment.

It is unclear how many market optimists will now be unable to cover their positions. But the amount involved in potential defaults is far in excess of the \$3 million in capital and reserves held by the Hong Kong Futures Guarantee Corp., a consortium that backs the exchange.

One guarantor of the exchange, International Commodities Clearing House Inc., also supports futures markets in the United States, Australia and New Zealand. The others in the consortium are Hongkong & Shanghai Banking Corp. and Wing On Bank, which are local institutions; Barclays Bank, Standard Chartered Bank, Credit Lyonnais and Chase Manhattan Bank.

## Schlumberger

### THIRD QUARTER EARNINGS

New York, New York, October 20 — Schlumberger Limited announced today net income for the third quarter of \$2 million compared to a loss of \$42 million (14 cents per share) for the same period last year. Revenue was \$422 million, compared to \$411 million. For the first nine months of 1987, net income was \$37 million (13 cents per share) compared to \$161 million (\$6 cents per share); revenue was \$3.43 billion compared to \$3.94 billion. The 1987 third quarter net income of \$2 million includes \$152 million (\$4 cents per share) income from continuing operations, \$220 million (79 cents per share) loss from discontinued operations and \$70 million (25 cents per share) extraordinary gain. The 1986 third quarter net loss of \$42 million includes a \$59 million (20 cents per share) loss from continuing operations, and \$17 million (6 cents per share) income from discontinued operations. These figures are explained more fully below.

**Continuing Operations**  
The \$152 million income from continuing operations in 1987 includes an unusual \$69 million after-tax gain on the sale of the Company's investment in Compagnie Luxembourgeoise de Télédiffusion. In 1986, the \$59 million loss from continuing operations was due entirely to unusual items primarily including employee termination costs in Oilfield Services, unfavorable lease commitments and the divestiture of a small electronics business.

**Discontinued Operations**  
The 1987 loss of \$220 million from discontinued operations relates to the completion of the previously announced divestiture of the Fairchild Semiconductor business. In 1986, discontinued operations included \$36 million operating losses at Fairchild Semiconductor, offset by a \$53 million gain from a favorable settlement of litigation with Data General.

**Extraordinary Item**  
In July, Sedor Form received an award from the Iran-U.S. Claims Tribunal, which after taxes and other expenses, amounted to approximately \$70 million. This award arose from Iran's seizure of SEDCO, Inc. drilling business in 1979, prior to its acquisition by Schlumberger.

Commenting on the results, Enan Beird, Chairman, indicated that, excluding unusual items, third quarter income from continuing operations in 1987 was \$80 million compared to break-even in 1986. He stated that the increased income from continuing operations was due to improvements in Oilfield Services, mainly in North America, Latin America and Africa.

He added that Oilfield Services revenue of \$558 million was 9% higher on a comparable basis than in the third quarter of 1986 and also gained over the previous quarters this year: 5% over the second quarter and 10% over the first. Measurement & Systems revenue improved 3%, on a comparable basis, to \$503 million; good results were reported by several units of Schlumberger Industries, notably Electronic Transactions and the electricity, water and gas meter activities; Schlumberger Technologies' Automatic Test Equipment and Computer Graphics systems also improved.

## EUROBONDS: Rates Leave the Pros Scrambling

(Continued from first finance page)

The bonds were convertible into shares of Broken Hill Pty. at prices ranging from 12.36 to 12.56 Australian dollars, premiums of some 20 percent. By last week, with the stock price down to 7.50 dollars, the conversion premium had widened to almost 60 percent.

All three issues carried "puts" — giving holders the choice to redeem the bonds after six years for cash and assuring yields, then equal to those prevailing in domestic government paper, of 10 percent on the U.S. dollar bond, 10 1/4 percent on the sterling issue and 12 1/2 percent on the Australian dollar paper. Last week's declines in interest rates make these put options look generous.

The final terms on the bonds

were set the week before last and the formal closing documents were scheduled to be signed Monday.

Merrill Lynch attributed the cancellation "to the unprecedented volatility and adverse changes in world financial conditions." While no one contested that statement, the co-managers of the issue were not unanimous in favor of the decision.

"Underwriters do not walk away from deals when they make money, why should be permitted to when they don't," said one banker who attended the meeting.

This banker, who asked not to be identified, said the bonds had been allotted and distributed two weeks ago. The paper then traded hands on a "when-issued" basis. "Investors who bought at the start and then sold possibly made a consider-

able profit," he said, explaining the unhappiness over the withdrawal of bonds whose terms are now so out of line with prevailing market conditions.

The widely held assumption among these co-managers is that Merrill had a substantial position in the bonds. This view was disputed by Stanislas Yassukovich, chairman of Merrill Lynch International, who said that "it's in no one's interest to have paper issued at a wrong price."

Normally, withdrawing an issue this late in the distribution process would be a result of a dramatic change in the company's financial health, not a change in market conditions. Some of the co-managers raised the possibility that Merrill might be challenged in court over the decision.

## BANKS: Collapse Seen as a Setback for Deregulation

(Continued from first finance page)

who lend money, the commercial banks, and those who buy and sell securities on behalf of borrowers, investment bankers.

The comptroller of the currency, Robert Clarke, chief regulator of nationally chartered banks, said, "Undoubtedly, there are going to be more cries from opponents of deregulation. It will just make it harder to educate people."

The underlying conditions of improved technology and increased competition that have forced banks to seek new powers remain unchanged, bankers argue. Many proponents of bank deregulation insist that in the long run the full effect of the market's plunge could prove a boon to their cause.

Richard M. Whiting, general counsel of the Association of Bank Holding Companies, said that last week had shown "that a marriage between commercial banking and investment banking has nothing to do with the ups and downs of the market."

"Even if the combination of

banking and underwriting were allowed," he said, "there are a lot of things that have been put in place since 1929 that would prevent many of the horror stories."

Federal insurance that guarantees the safety of bank deposits is chief among the safety nets that were introduced after the banking crisis that followed the 1929 crash.

The comptroller, Mr. Clarke, and the chairman of the Federal Deposit Insurance Corp., L. William Seidman, have been pushing Congress to allow banks to own securities firms as subsidiaries or to allow bank holding companies to own securities firms.

They argue that through strict regulation and supervision a "Chinese Wall" can be built between banks and affiliated securities firms so that the problems of one do not hurt the other.

Regulators point to First Options of Chicago Inc., a major lender to stock options traders that suffered millions of dollars in losses from the stock plunge and was on the brink of collapse last week.

Regulators would not permit First Options to borrow cash from its immediate parent, Continental Illinois National Bank & Trust Co., to stay afloat. Instead, First Options had to borrow from Continental Illinois Corp., the parent of Continental Bank.

If the holding company or some other company had not rescued First Options, the firm would have been allowed to fail rather than jeopardize the health of Continental Bank, regulators said.

However, Scott E. Pardee, vice chairman of Yamaichi International (America) Inc., one of Japan's largest securities firms, said, "Thank God for Glass-Steagall."

"I don't buy the Chinese Wall theory," he said. "Chinese Walls could be very difficult to maintain given a fall like Monday's."

Critics of the Chinese Wall theory point out that a bank holding company that was forced to rescue a securities affiliate would be less able to shore up its banking subsidiary in a crisis.

## A Wave of Margin Calls Pours From Wall Street

By Leonard Sloane

New York Times Service

NEW YORK — U.S. brokerage firms issued a flood of margin calls to customers during the stock market's rapid recent declines. With experts estimating that the level of margin debt greatly exceeded the previous high of \$44.17 billion at the end of last month, the number of margin calls was higher than ever, many securities dealers said.

Some of these calls will undoubtedly lead to lawsuits by unhappy investors, who may believe that they received inadequate notification or that their securities were sold precipitously by the broker. On Friday such a suit was filed by a group of Florida investors against Bear, Stearns & Co.

Margin buying, or buying securities on credit, is an investment technique long used by individuals seeking to extend their purchasing power and increase their profits. Monday's brutal 22.6 percent decline in the Dow Jones industrial average showed once again that investment losses are magnified when securities are bought on margin.

For example, margin debt at Shearson Lehman Brothers reached a new high of \$200 million on Tuesday evening, according to Harwick Simmons, vice chairman. About 12,000 of the firm's 75,000 margin clients — Shearson has a total of 2.5 million customers — received margin calls.

"On Monday, calls went out after Friday's disaster, and on Tuesday calls went out after Monday's disaster," said Robert Sablosky, executive vice president of Gruntal & Co., a securities concern. "People then have 48 hours to come up with the money."

"One of the lessons a lot of people learned is that a 300-point loss

can occur and there is no protection when you are on margin," said Joel S. Isaacson, manager of personal financial planning at Weber Lipschitz & Co., a New York certified public accounting firm.

Current Federal Reserve Board regulations provide for an initial margin requirement for listed and marginable over-the-counter stocks of 50 percent. In addition, the New York Stock Exchange requires that customers of member firms maintain equity of at least 25 percent at all times. Equity is the market value of the stock minus the margin debt. Individual brokerage houses may have even higher requirements.

If the value of the collateral in a margin account drops so that the equity falls below the required percentage, customers are likely to get a margin call. And unless more cash or securities are delivered to bring the account up to the minimum level, that collateral will probably be sold to pay off the loan.

The advantage of margin is best demonstrated by an example: a cash purchaser of 100 shares of a \$100 stock would pay \$10,000 for his or her shares. If the stock price rises to \$120 and the shares are sold, the buyer would have a profit of \$2,000, or 20 percent. However, a margin buyer would have an even larger profit percentage. He or she could pay \$5,000 and borrow the other \$5,000 for the 100 shares. By selling after a 20 percent gain, the profit would be 40 percent — \$2,000 on a cash outlay of \$5,000.

In a down market, though, the percentages are reversed. If the stock is sold after a 20 percent decline, the cash buyer would lose 20 percent of the \$10,000 investment, while the margin buyer would suffer a 40 percent loss. In both examples, brokerage commissions reduce the profits and increase the loss.

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When everything has to be just right



Unmistakably, a truly outstanding hotel in the heart of the business center of Bombay. Your very own personal Butler. Exquisite restaurants. A 24-hour Executive Centre. The Oberoi over-looking the ocean. Because you deserve the best in the world.



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Prices may vary according to market conditions and other factors.*

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October 22

ISSUE	Cov. Mat. Price	Y
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Td	Sed	Issuer	Con	Mkt	Price	Yld	Sed
10	10/1	10/1	100	100	100	100	100
11	11/1	11/1	110	110	110	110	110
12	12/1	12/1	120	120	120	120	120
13	13/1	13/1	130	130	130	130	130
14	14/1	14/1	140	140	140	140	140
15	15/1	15/1	150	150	150	150	150
16	16/1	16/1	160	160	160	160	160
17	17/1	17/1	170	170	170	170	170
18	18/1	18/1	180	180	180	180	180
19	19/1	19/1	190	190	190	190	190
20	20/1	20/1	200	200	200	200	200
21	21/1	21/1	210	210	210	210	210
22	22/1	22/1	220	220	220	220	220
23	23/1	23/1	230	230	230	230	230
24	24/1	24/1	240	240	240	240	240
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+129	Hollister	79	99	71%	10.12	+145
+130	Home Sec. Ins.	79	99	71%	10.12	+145
+131	Midland	79	99	71%	10.12	+145
+132	Home Sec. Ins.	79	99	71%	10.12	+145
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+136	Home Sec. Ins.	79	99	71%	10.12	+145
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+192	Home Sec. Ins.	79	99	71%	10.12	+145
+193	Midland	79	99	71%	10.12	+145
+194	Home Sec. Ins.	79	99	71%	10.12	+145
+195	Midland	79	99	71%	10.12	+145

United States						
A & T	9	16	84%	10.78	+138	
Actel Life	10	16	84%	10.78	+138	
Amcor Brands	89	92	92%	9.99	+126	
Amcor Life	89	92	92%	9.99	+126	
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Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor	89	92	92%	9.99	+126	
Amcor						

## Figures 18 of close of trading. Etc.

October 23			
	Calls	Puts	
10c	3	94	r
15c	3	25	r
20c	3	25	r
25c	3	25	r
30c	3	25	r
35c	3	25	r
40c	3	25	r
45c	3	25	r
50c	3	25	r
55c	3	25	r
60c	3	25	r
65c	3	25	r
70c	3	25	r
75c	3	25	r
80c	3	25	r
85c	3	25	r
90c	3	25	r
95c	3	25	r
1.00	3	25	r
1.05	3	25	r
1.10	3	25	r
1.15	3	25	r
1.20	3	25	r
1.25	3	25	r
1.30	3	25	r
1.35	3	25	r
1.40	3	25	r
1.45	3	25	r
1.50	3	25	r
1.55	3	25	r
1.60	3	25	r
1.65	3	25	r
1.70	3	25	r
1.75	3	25	r
1.80	3	25	r
1.85	3	25	r
1.90	3	25	r
1.95	3	25	r
2.00	3	25	r
2.05	3	25	r
2.10	3	25	r
2.15	3	25	r
2.20	3	25	r
2.25	3	25	r
2.30	3	25	r
2.35	3	25	r
2.40	3	25	r
2.45	3	25	r
2.50	3	25	r
2.55	3	25	r
2.60	3	25	r
2.65	3	25	r
2.70	3	25	r
2.75	3	25	r
2.80	3	25	r
2.85	3	25	r
2.90	3	25	r
2.95	3	25	r
3.00	3	25	r
3.05	3	25	r
3.10	3	25	r
3.15	3	25	r
3.20	3	25	r
3.25	3	25	r
3.30	3	25	r
3.35	3	25	r
3.40	3	25	r
3.45	3	25	r
3.50	3	25	r
3.55	3	25	r
3.60	3	25	r
3.65	3	25	r
3.70	3	25	r
3.75	3	25	r
3.80	3	25	r
3.85	3	25	r
3.90	3	25	r
3.95	3	25	r
4.00	3	25	r
4.05	3	25	r
4.10	3	25	r
4.15	3	25	r
4.20	3	25	r
4.25	3	25	r
4.30	3	25	r
4.35	3	25	r
4.40	3	25	r
4.45	3	25	r
4.50	3	25	r
4.55	3	25	r
4.60	3	25	r
4.65	3	25	r
4.70	3	25	r
4.75	3	25	r
4.80	3	25	r
4.85	3	25	r
4.90	3	25	r
4.95	3	25	r
5.00	3	25	r
5.05	3	25	r
5.10	3	25	r
5.15	3	25	r
5.20	3	25	r
5.25	3	25	r
5.30	3	25	r
5.35	3	25	r
5.40	3	25	r
5.45	3	25	r
5.50	3	25	r
5.55	3	25	r
5.60	3	25	r
5.65	3	25	r
5.70	3	25	r
5.75	3	25	r
5.80	3	25	r
5.85	3	25	r
5.90	3	25	r
5.95	3	25	r
6.00	3	25	r
6.05	3	25	r
6.10	3	25	r
6.15	3	25	r
6.20	3	25	r
6.25	3	25	r
6.30	3	25	r
6.35	3	25	r
6.40	3	25	r
6.45	3	25	r
6.50	3	25	r
6.55	3	25	r
6.60	3	25	r
6.65	3	25	r
6.70	3	25	r
6.75	3	25	r
6.80	3	25	r
6.85	3	25	r
6.90	3	25	r
6.95	3	25	r
7.00	3	25	r
7.05	3	25	r
7.10	3	25	r
7.15	3	25	r
7.20	3	25	r
7.25	3	25	r
7.30	3	25	r
7.35	3	25	r
7.40	3	25	r
7.45	3	25	r
7.50	3	25	r
7.55	3	25	r
7.60	3	25	r
7.65	3	25	r
7.70	3	25	r
7.75	3	25	r
7.80	3	25	r
7.85	3	25	r
7.90	3	25	r
7.95	3	25	r
8.00	3	25	r
8.05	3	25	r
8.10	3	25	r
8.15	3	25	r
8.20	3	25	r
8.25	3	25	r
8.30	3	25	r
8.35	3	25	r
8.40	3	25	r
8.45	3	25	r
8.50	3	25	r
8.55	3	25	r
8.60	3	25	r
8.65	3	25	r
8.70	3	25	r
8.75	3	25	r
8.80	3	25	r
8.85	3	25	r
8.90	3	25	r
8.95	3	25	r
9.00	3	25	r
9.05	3	25	r
9.10	3	25	r
9.15	3	25	r
9.20	3	25	r
9.25	3	25	r
9.30	3	25	r
9.35	3	25	r
9.40	3	25	r
9.45	3	25	r
9.50	3	25	r
9.55	3	25	r
10.00	3	25	r

	%	94.25	7.21	7.81	Son Di Roma	814
	%	94.25	7.21	7.81	Bak of Tokyo	815
	%	94.25	7.21	7.81	C C S	816
	%	94.25	7.21	7.81	C C F	817
	%	94.40	7.42	8.02	C N T A	818
	%	94.40	7.42	8.02	C N T B	819
	%	94.75	7.18	7.80	Contact-Peugeot	820
	%	94.18	7.39	7.99	C Pander	821
	%	94.25	7.21	7.81	C Lymont	822
	%	94.25	7.21	7.81	Credit North	823
	%	94.25	7.21	7.81	Credit South	824
	%	94.25	7.21	7.81	Dai-ichi	825
	%	94.25	7.21	7.81	Denmark	826
	%	94.25	7.21	7.81	E & C	827
	%	94.25	7.21	7.81	F&B	828
	%	94.25	7.21	7.81	G E C	829
	%	94.25	7.21	7.81	H & B	830
	%	94.25	7.21	7.81	I B	831
	%	94.25	7.21	7.81	J B	832
	%	94.25	7.21	7.81	K B	833
	%	94.25	7.21	7.81	L B	834
	%	94.25	7.21	7.81	M B	835
	%	94.25	7.21	7.81	N B	836
	%	94.25	7.21	7.81	O B	837
	%	94.25	7.21	7.81	P B	838
	%	94.25	7.21	7.81	R B	839
	%	94.25	7.21	7.81	S B	840
	%	94.25	7.21	7.81	T B	841
	%	94.25	7.21	7.81	U B	842
	%	94.25	7.21	7.81	V B	843
	%	94.25	7.21	7.81	W B	844
	%	94.25	7.21	7.81	X B	845
	%	94.25	7.21	7.81	Y B	846
	%	94.25	7.21	7.81	Z B	847
	%	94.25	7.21	7.81	A B	848
	%	94.25	7.21	7.81	B B	849
	%	94.25	7.21	7.81	C B	850
	%	94.25	7.21	7.81	D B	851
	%	94.25	7.21	7.81	E B	852
	%	94.25	7.21	7.81	F B	853
	%	94.25	7.21	7.81	G B	854
	%	94.25	7.21	7.81	H B	855
	%	94.25	7.21	7.81	I B	856
	%	94.25	7.21	7.81	J B	857
	%	94.25	7.21	7.81	K B	858
	%	94.25	7.21	7.81	L B	859
	%	94.25	7.21	7.81	M B	860
	%	94.25	7.21	7.81	N B	861
	%	94.25	7.21	7.81	O B	862
	%	94.25	7.21	7.81	P B	863
	%	94.25	7.21	7.81	R B	864
	%	94.25	7.21	7.81	S B	865
	%	94.25	7.21	7.81	T B	866
	%	94.25	7.21	7.81	U B	867
	%	94.25	7.21	7.81	V B	868
	%	94.25	7.21	7.81	W B	869
	%	94.25	7.21	7.81	X B	870
	%	94.25	7.21	7.81	Y B	871
	%	94.25	7.21	7.81	Z B	872
	%	94.25	7.21	7.81	A B	873
	%	94.25	7.21	7.81	B B	874
	%	94.25	7.21	7.81	C B	875
	%	94.25	7.21	7.81	D B	876
	%	94.25	7.21	7.81	E B	877
	%	94.25	7.21	7.81	F B	878
	%	94.25	7.21	7.81	G B	879
	%	94.25	7.21	7.81	H B	880
	%	94.25	7.21	7.81	I B	881
	%	94.25	7.21	7.81	J B	882
	%	94.25	7.21	7.81	K B	883
	%	94.25	7.21	7.81	L B	884
	%	94.25	7.21	7.81	M B	885
	%	94.25	7.21	7.81	N B	886
	%	94.25	7.21	7.81	O B	887
	%	94.25	7.21	7.81	P B	888
	%	94.25	7.21	7.81	R B	889
	%	94.25	7.21	7.81	S B	890
	%	94.25	7.21	7.81	T B	891
	%	94.25	7.21	7.81	U B	892
	%	94.25	7.21	7.81	V B	893
	%	94.25	7.21	7.81	W B	894
	%	94.25	7.21	7.81	X B	895
	%	94.25	7.21	7.81	Y B	896
	%	94.25	7.21	7.81	Z B	897
	%	94.25	7.21	7.81	A B	898
	%	94.25	7.21	7.81	B B	899
	%	94.25	7.21	7.81	C B	900
	%	94.25	7.21	7.81	D B	901
	%	94.25	7.21	7.81	E B	902
	%	94.25	7.21	7.81	F B	903
	%	94.25	7.21	7.81	G B	904
	%	94.25	7.21	7.81	H B	905
	%	94.25	7.21	7.81	I B	906
	%	94.25	7.21	7.81	J B	907
	%	94.25	7.21	7.81	K B	908
	%	94.25	7.21	7.81	L B	909
	%	94.25	7.21	7.81	M B	910
	%	94.25	7.21	7.81	N B	911
	%	94.25	7.21	7.81	O B	912
	%	94.25	7.21	7.81	P B	913
	%	94.25	7.21	7.81	R B	914
	%	94.25	7.21	7.81	S B	915
	%	94.25	7.21	7.81	T B	916
	%	94.25	7.21	7.81	U B	917
	%	94.25	7.21	7.81	V B	918
	%	94.25	7.21	7.81	W B	919
	%	94.25	7.21	7.81	X B	920
	%	94.25	7.21	7.81	Y B	921
	%	94.25	7.21	7.81	Z B	922
	%	94.25	7.21	7.81	A B	923
	%	94.25	7.21	7.81	B B	924
	%	94.25	7.21	7.81	C B	925
	%	94.25	7.21	7.81	D B	926
	%	94.25	7.21	7.81	E B	927
	%	94.25	7.21	7.81	F B	928
	%	94.25	7.21	7.81	G B	929
	%	94.25	7.21	7.81	H B	930
	%	94.25	7.21	7.81	I B	931
	%	94.25	7.21	7.81	J B	932
	%	94.25	7.21	7.81	K B	933
	%	94.25	7.21	7.81	L B	934
	%	94.25	7.21	7.81	M B	935
	%	94.25	7.21	7.81	N B	936
	%	94.25	7.21	7.81	O B	937
	%	94.25	7.21	7.81	P B	938
	%	94.25	7.21	7.81	R B	939
	%	94.25	7.21	7.81	S B	940
	%	94.25	7.21	7.81	T B	941
	%	94.25	7.21	7.81	U B	942
	%	94.25	7.21	7.81	V B	943
	%	94.25	7.21	7.81	W B	944
	%	94.25	7.21	7.81	X B	945
	%	94.25	7.21	7.81	Y B	946
	%	94.25	7.21	7.81	Z B	947
	%	94.25	7.21	7.81	A B	948
	%	94.25	7.21	7.81	B B	949
	%	94.25	7.21	7.81	C B	950
	%	94.25	7.21	7.81	D B	951
	%	94.25	7.21	7.81	E B	952
	%	94.25	7.21	7.81	F B	953
	%	94.25	7.21	7.81	G B	954
	%	94.25	7.21	7.81	H B	955
	%	94.25	7.21	7.81	I B	956
	%	94.25	7.21	7.81	J B	957
	%	94.25	7.21	7.81	K B	958
	%	94.25	7.21	7.81	L B	959
	%	94.25	7.21	7.81	M B	960
	%	94.25	7.21	7.81	N B	961
	%	94.25	7.21	7.81	O B	962
	%	94.25	7.21	7.81	P B	963
	%	94.25	7.21	7.81	R B	964
	%	94.25	7.21	7.81	S B	965
	%	94.25	7.21	7.81	T B	966
	%	94.25	7.21	7.81	U B	967
	%	94.25	7.21	7.81	V B	968
	%	94.25	7.21	7.81	W B	969
	%	94.25	7.21	7.81	X B	970
	%	94.25	7.21	7.81	Y B	971
	%	94.25	7.21	7.81	Z B	972
	%	94.25	7.21	7.81	A B	973
	%	94.25	7.21	7.81	B B	974
	%	94.25	7.21	7.81	C B	975
	%	94.25	7.21	7.81	D B	976
	%	94.25	7.21	7.81	E B	977
	%	94.25	7.21	7.81	F B	978
	%	94.25	7.21	7.81	G B	979
	%	94.25	7.21	7.81	H B	980
	%	94.25	7.21	7.81	I B	981
	%	94.25	7.21	7.81	J B	982
	%	94.25	7.21	7.81	K B	983
	%	94.25	7.21	7.81	L B	984
	%	94.25	7.21	7.81	M B	985
	%	94.25	7.21	7.81	N B	986
	%	94.25	7.21	7.81	O B	987
	%	94.25	7.21	7.81	P B	988
	%	94.25	7.21	7.81	R B	989
	%	94.25	7.21	7.81	S B	990
	%	94.25	7.21	7.81	T B	991
	%	94.25	7.21	7.81	U B	992
	%	94.25	7.21	7.81	V B	993
	%	94.25	7.21	7.81	W B	994
	%	94.25	7.21	7.81	X B	995
	%	94.25	7.21	7.81	Y B	996
	%	94.25	7.21	7.81	Z B	997
	%	94.25	7.21	7.81	A B	998
	%	94.25	7.21	7.81	B B	999
	%	94.25	7.21	7.81	C B	1000

Fixed for de

Düsseldorf

London

Luxembourg

Hong Kong

One of the

5%	88	110.00	5.34	5.90	9.70
5%	89	111.25	5.34	5.90	9.70
5%	90	112.50	5.34	5.90	9.70
5%	91	113.75	5.34	5.90	9.70
5%	92	115.00	5.34	5.90	9.70
5%	93	116.25	5.34	5.90	9.70
5%	94	117.50	5.34	5.90	9.70
5%	95	118.75	5.34	5.90	9.70
5%	96	120.00	5.34	5.90	9.70
5%	97	121.25	5.34	5.90	9.70
5%	98	122.50	5.34	5.90	9.70
5%	99	123.75	5.34	5.90	9.70
5%	100	125.00	5.34	5.90	9.70
5%	101	126.25	5.34	5.90	9.70
5%	102	127.50	5.34	5.90	9.70
5%	103	128.75	5.34	5.90	9.70
5%	104	130.00	5.34	5.90	9.70
5%	105	131.25	5.34	5.90	9.70
5%	106	132.50	5.34	5.90	9.70
5%	107	133.75	5.34	5.90	9.70
5%	108	135.00	5.34	5.90	9.70
5%	109	136.25	5.34	5.90	9.70
5%	110	137.50	5.34	5.90	9.70
5%	111	138.75	5.34	5.90	9.70
5%	112	140.00	5.34	5.90	9.70
5%	113	141.25	5.34	5.90	9.70
5%	114	142.50	5.34	5.90	9.70
5%	115	143.75	5.34	5.90	9.70
5%	116	145.00	5.34	5.90	9.70
5%	117	146.25	5.34	5.90	9.70
5%	118	147.50	5.34	5.90	9.70
5%	119	148.75	5.34	5.90	9.70
5%	120	150.00	5.34	5.90	9.70
5%	121	151.25	5.34	5.90	9.70
5%	122	152.50	5.34	5.90	9.70
5%	123	153.75	5.34	5.90	

CC&ER n	19271	15%	10	13%	-13%
TIS	17313	2%	1%	2%	-7%
AT&E	16517	14%	8	8%	0%
Eni&at	1366	6	2%	0%	-14%
H&H&R	14173	12%	8	8%	0%
Cum&at	1366	2	1%	1%	0%
L&e&l	11911	4	2	4%	-3%
in&flow	1444	4%	2%	0%	-1%
BAT	1259	6%	0%	0%	-2%
A&u&r	10950	6%	6%	6%	-1%

AMEX Sales			
Total for week		Sales Vol.	
Week ago		245,840,000	
Year ago		61,250,000	
Jan 1 to date		2,352,240,000	
1986 to date		1,847,155,000	

AMEX Diaries			
	Table Wk	Lost Wk	Wk
143	Advanced	57	62
164	Declined	97	89
31	Unchanged	22	101
218	Total Issues	1046	1044
31	New Highs	10	13
479	New Lows	644	201

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6th Floor, 12 Harcourt Road	
Teler 75142 HX	

WestLB

deutsche Landesbank

<b>SITUATIONS</b>
<i>situations published</i>
<i>national Positions.</i>
<b>EMPLOYER</b>
Harvard Presse International
Sellsman
Amnesty International
Harvard Nice - Laboratoire Bard
Medical Supply Co.)
Harvard the Children Federation
<b>AL POSITIONS</b> rubric,
Ferrero,
Neuilly Cedex, France.
5955

**Germany's Not  
Dependent on Exports**

Medium-sized firms assumed. Nearly 80 percent in its 1986/87 and have had on business prices, on shifts in strength of other expected conclusions.

**IKB in Persia**

Industriekredit long-term fixed prominent institution of the Federal nearly 7,000 corporate capital investment own long and attractive for investors.

**IKB Improving**

During the 1986/87 256 million, with income, DM 12 million at the previous during the interim DM 746 million.

**Credit Volume**

Claims on customers exceeding in conjunction with years. As in the good 60% of the recent years.

**Specialized**

In addition to loans. For example, in S.A., have both securities business in fixed asset leasing. IKB's in export financing specialized companies exchange introduced capital company exchange.

...the ... of ...



OTC Consolidated trading for week ended Friday, October 23

OTC Consolidated trading for week ended Friday, October 23

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(Continued on next page)

## Strong Gains in 1986/87

## IKB in Perspective

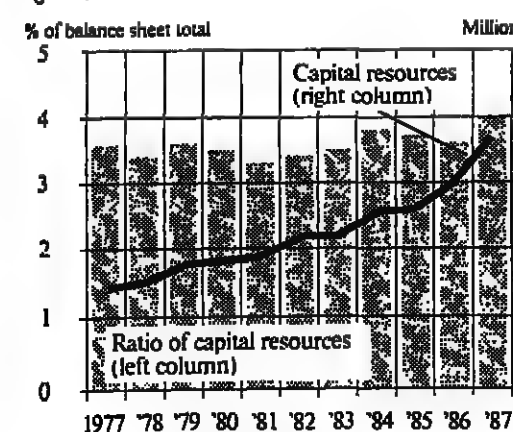
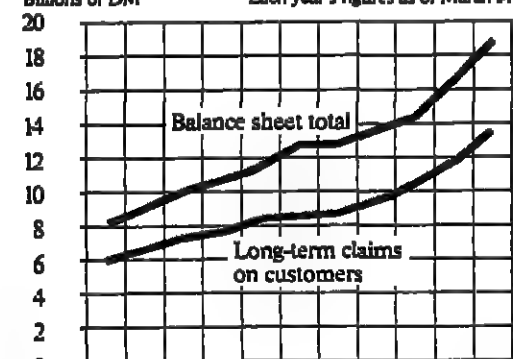
### IKB Improved Profitability

## Credit Volume Grows

## Specialized Services

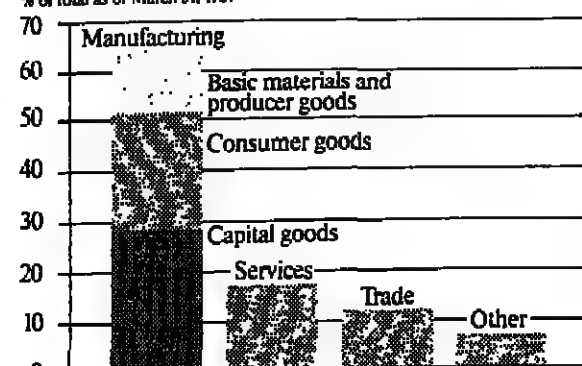
### IKB's Business Development 1977-1987

Billions of DM      Each year's figures as of March 31



### Domestic lending by industry

% of total as of March 31, 1987



	March 31, 1987	March 31, 1986	Change
	Millions of DM		
Balance sheet total	18,814	16,661	+ 12.9%
<i>comparative consolidated figures</i>	<i>19,188</i>	<i>17,644</i>	<i>+ 8.8%</i>
Claims on customers	14,167 <sup>1)</sup>	12,247	+ 15.7%
<i>of which long-term</i>	<i>13,718</i>	<i>11,787</i>	<i>+ 16.4%</i>
Own bonds issued	6,770	6,367	+ 6.3%
Long-term liabilities to banks	4,751	4,279	+ 11.0%
Long-term liabilities to other creditors	4,150	3,299	+ 25.8%
Capital funds	745.5	601.5	+ 23.9%
Net interest income	256.1	225.3	+ 13.7%
Net income	45.6	40.8	+ 11.8%

<sup>11</sup> Including IOM 375 million transferred from Industriebank International S.A., Luxembourg.

**Industriekreditbank AG**  
**Deutsche Industriebank**



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In Luxembourg: Industriebank International S.A.















## SPORTS

# McMahon, Back From Injury, Leads Bears Over Bucs

Compiled by Our Staff From Dispatches  
TAMPA, Florida — Jim McMahon, starting the second half in his first appearance since separating his shoulder 11 months ago, ran for a touchdown and hit Neal Anderson for a 20-yard pass in the fourth quarter to lead the Chicago Bears to a 27-26 triumph over the Tampa Bay Buccaneers.

In the first game for regular players after the end of the National Football League strike, Steve Deberg helped stake Tampa Bay to a 10-0 lead.

## NFL FOOTBALL

30-0 lead with two first-quarter touchdowns. Deberg suffered strained knee ligaments during a 20-3 loss to the Bears Sept. 20, the final weekend before the 24-day players' strike.

The Bucs are 3-3, and the Bears 5-1.

McMahon replaced Mike Tomczak to start the third period and completed 16 of 24 passes for 195 yards, finding Anderson from 6 yards out for the winning TD pass.

McMahon, who hurt his shoulder Nov. 23 when he was slammed to the turf by Green Bay's Charles Martin on an illegal hit, started the final drive at his own 29 yard line with 2:44 left.

He found Willie Gault for gains of 19 and 16 yards, and connected with rookie Ron Morris for 19 yards. On second-and-5 from the 6-yard line, Anderson took a swing pass in the right flat and vaulted into the end zone for the final yard as the Bears beat the Buccaneers for the 10th consecutive time.

McMahon had been placed on injured reserve before the season after surgery to his rotator cuff in the offseason.

After 24, Saints 22: In New Orleans, Joe Montana picked on the Saints' mistake-prone secondary for 256 yards and three touchdowns, leading San Francisco to victory in a game marred by penalties and fumbles by both teams.

His third touchdown pass went 24 yards to Mike Wilson in the fourth quarter, after the Saints had taken a brief 19-17 lead on Alvin Tyles' touchdown return of a blocked punt. The touchdown pass came one play after a 39-yard completion to Jerry Rice was augmented by a face-mask penalty against cornerback Dave Wayner.

The Saints drew six penalties for 58 yards, five of those either interference or holding calls on defensive backs, as the 49ers built a 17-6 halftime lead.

San Francisco is 5-1, including 3-0 during the strike. New Orleans is 3-3, including a 2-1 record by the replacement team.

Redskins 17, Jets 16: In Washington, Ali Haji-Sheikh kicked a 28-yard field goal with 54 seconds remaining and the Redskins scored 10 points in the final six minutes to defeat New York. The Redskins, down 16-7, got a 2-yard touchdown pass from Jay Schroeder to Kevin Bryant with 5:55 left, then drove 68 yards in nine plays in the closing minutes to set up Haji-Sheikh's kick.

The drive was kept alive when Schroeder connected with Ricky Sanders for a 39-yard gain from the Washington 32.

The victory enabled the Redskins, 5-1, to remain alone atop the NFC East. New York, which has never beaten Washington, is 3-3.

Steelers 23, Bengals 20: In Pittsburgh, Mark Malone booted a field goal in the first half, threw a 12-yard touchdown pass to John Stallworth, then set up Gary Anderson's winning 20-yard field goal with 1:47 left by hitting Stallworth

for 45 yards as the Steelers rallied to beat Cincinnati.

The Bengals drove to the Steelers' 19-yard line in the final seconds, but were unable to get off a field goal for a tie before the clock ran out.

Colts 30, Patriots 16: In Indianapolis, Jack Truett passed for 239 yards and a touchdown, and defensive end Donnell Thompson returned a fumble 28 yards for another touchdown as the Colts downed New England.

Albert Bentley also ran for a touchdown after rookie Terry Wright, a replacement player during the strike, blocked a New England punt midway through the final period. Mike Prior, another replacement, ended New England's final threat with a pass interception and 38-yard return with 1:40 remaining.

Eagles 37, Cowboys 20: In Philadelphia, defensive end Clyde Simmons recovered a fumble and blocked a field goal to set up 10 points as the Eagles defeated Dallas.

The Eagles, left in a 1-4 hole by their replacements' three losses, boosted their record to 2-4. Dallas, which accumulated a 2-1 replacement record with the help of eight regulars who crossed the picket line, slipped to 3-3 overall.

The Eagles' defense recovered three fumbles, blocked a field goal and sacked quarterback Danny White five times. Two of the fumbles led to field goals and the blocked kick to a touchdown.

Oilers 37, Falcons 33: In Houston, Warren Moon turned first-quarter passes into fourth-quarter offense when he hit Curtis Duncan with a 14-yard touchdown pass with 27 seconds remaining, rallying the Oilers past Atlanta.

The game, which was tied six times, drew a crowd of 29,062, with 4,825 no-shows, a bit below a normal crowd at the Astrodome.

The Falcons' Mick Luckhurst kicked four field goals, the last one an 18-yarder with 2:24 to play, giving Atlanta a 33-30 lead.

Moon, the Oilers' player representative, was booed before the game because of his role in the players' strike.

Bills 34, Dolphins 31: In Miami, Scott Norwood, who had a short kicked blocked earlier, converted a 27-yard field goal in overtime to provide Buffalo's triumph over the Dolphins.

The Bills won the overtime coin flip and moved quickly to the Miami 10, where Norwood, who had a 22-yard attempt blocked by Doug Betsworth in the first quarter, kicked successfully with 4:12 gone in the extra session.

It was the Bills' first victory over Miami since 1983, when they defeated the Dolphins 39-15 in overtime at the Orange Bowl. It was only the eighth time in 43 meetings in which Buffalo, now 3-3, has defeated Miami, 2-4.

Packers 34, Lions 33: In Pontiac, Michigan, Al Del Greco kicked a 45-yard field goal with one minute left Sunday to give Green Bay the victory over Detroit.

The Lions rallied from a 31-7 second-quarter deficit to take their first lead, 33-31, on Gary James' 2-yard touchdown drive with 3:02 remaining. But the Packers moved 42 yards in nine plays on their ensuing drive to set up the game-winning field goal.

Del Greco's Murray missed a 45-yard field goal attempt with four seconds left.

Green Bay, 3-2-1, pounced early on the Lions, 1-5, scoring on four straight possessions in the first half.

(UPI, AP)



Kent Hrbek hit a grand slam home, his team's second of the Series, in the sixth inning. That ensured victory, the Twins having scored four runs against the Cardinals in the fifth.

## The Home Advantage: A Curse Comes to Baseball

By Thomas Boswell

Washington Post Service

MINNEAPOLIS — Throughout the evolution of major American professional team sports, only baseball has escaped the curse of the home field advantage.

Until now.

In the National Basketball Association and the National Hockey League, expanding teams play an entire regular season for one reason: to get the home field advantage in the playoffs. Last season, for example, the Boston Celtics won 41 consecutive NBA games at home.

No statistician or psychologist would deny the large and measurable advantage in these sports of having home, often profane crowds on the shoulders of visiting teams.

According to the 1987 Elias Baseball Analyst: "Home teams won 54 percent of all major league baseball games over the past five years, compared to 58 percent in

the NFL, 60 percent [of games played to a decision] in the NHL and 64 percent in the NBA." Of all teams, the Minnesota Twins had the biggest home field edge over the period from 1982 through 1986, playing 15.8 percent better at home than on the road. This season, it's been an amazing 35 percent better.

The home field may be a curse in the NFL, the NHL and the NBA, but in the century-old baseball, the home field edge has been a constant.

First, the Twins have artificial turf, which has been shown to be an edge in itself. Turf teams adjust to grass better than grass teams adjust to turf. It's a statistical fact.

Second, the Twins have accidentally introduced a completely unfair and capricious element: the only ball-colored Teflon ceiling in existence. Every ballplayer learns about wind-blown pop ups and cold hands. Only a Twin spends enough time in the Metrodome to learn how to catch invisible fly balls.

Finally, and perhaps most important, the Metrodome is the first baseball park that has duplicated smaller indoor arena noise levels, as high as 118 decibels in this Series.

Baseball should recognize immediately that, in the future, the home field edge in the playoffs and Series should be given to the team with the better regular season record, just as currently exists in every other pro team sport.

It's anachronistic to see the Twins with the ninth-best regular season record in baseball — 85 victories — getting an extra home date against both the Detroit Tigers, the first in victories, and the St. Louis Cardinals, who were third.

The '87 Series will be the Home Field Advantage Classic. If the Twins do come back to win, that legacy will be a dead certainty since that outcome would make this the first Series in history — since 1903 — in which every game was won by the home team.

about the margin you'd hope for, enough to enliven discussion but not enough to define the sport.

Baseball has been so immune to home field factors that, for generations, nobody has questioned the practice of giving the odd-game edge to the American League in even-numbered years.

Now, something new has happened. It's called the Home Field Advantage.

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# Twins Hammer Cardinals, 11-5, Send World Series To a Showdown 7th Game

By Michael Martinez

New York Times Service

MINNEAPOLIS — Don Baylor lead easily as he belted the Cardinals' second home run in the fifth inning, sending the Minnesota Twins to a 11-5 victory Saturday over the St. Louis Cardinals — a victory that sent the 84th World Series to a deciding seventh game Sunday night — they seemed prophetic.

"The guys believe we can't lose here," Baylor had said as the Metrodome was just beginning to fill. "Baseball is like that. If you believe something, you can do it."

The Twins did, erasing their one-game deficit and tying the World Series at three games apiece after they had fallen behind, 5-2, in the fifth inning.

They scored four runs in each the fifth and sixth, and Kent Hrbek — who had just one hit in 16 previous games at bat against left-handed pitching in the postseason — punctuated the victory with a grand slam home run in the sixth off Ken Dayley, a left-hander.

Hrbek's slam was Twins' second in the Series; they also got one in the first game, from Dan Gladden.

In three games under their big top, the Twins have scored 29 runs. In three defeats at Busch Stadium, they got just five.

But they broke out on Saturday, getting a two-run homer from Baylor in the fifth that brought them back to a 5-5 tie. It was Baylor's first World Series home run and his first since he was acquired in a late-season trade with Boston.

From the beginning, it was clear that this game was not going to feature pitching. Les Straker started for the Twins and was gone by the fourth inning. John Tudor started for the Cardinals and was gone by the fifth. Both held leads; both let them get away.

Tom Herr had put the Cardinals in front quickly against Straker, driving a home run well into the upper deck in right field, an estimated 413 feet (125 meters) away.

It was a rare sight for the Cardinals; only their second home run in the Series and just their fourth in 13 postseason games.

But the lead lasted only until the Twins — with Hankies being waved around them and a din falling from the stands — came to bat in the bottom half of the fifth.

Gladden led off with a triple, inside the first-base line, that ended the reach of the slow-moving Dan Driessen. Greg Gagne grounded out, keeping Gladden at third, but Kirby Puckett lined a single to tie the score, with just his second run batted in of the Series.

Puckett scored, from second base, when Baylor, the old warrior, singled to right off Tudor. That gave the Twins a 2-1 lead.

Straker, though, continued to have control problems. He issued a one-out, four-pitch walk in the second to Terry Pendleton, the designated hitter, then — after Pendleton got to third on a ground out — gave up a run-scoring single to Jose Oquendo.

Straker and a trouble-free third, but the fourth became his undoing. Driessen, leading off, lined a pitch off the 23-foot-high shower curtain in right, advanced to third on Willie McGee's single and came home when Pendleton hit a bounce-wide of first and beat Hrbek's throw to Straker.

Tom Kelly, the Twins' manager, pulled Straker, brought in left-hander Dan Schatzeder and hoped to end the rally there. But Oquendo came through once more, hitting a sacrifice fly near the line in right to put the Cardinals ahead, 4-2.

Slowly, the Metrodome sellout crowd of 55,293 grew quiet. Their team had won two in a row to open the Series, but now it was showing the strain of a failing task. And it grew a bit worse.

The surging Cardinals, who had taken a one-game Series lead with a three-game sweep at Busch Stadium, pushed their advantage to 5-2 in the fifth after Schatzeder walked Smith to open the inning. Smith moved to second on a grounder, to third on a fly out and scored when McGee lined a single to right.

The Twins, meanwhile, seemed to be wasting opportunities against Tudor, who was as ineffective as Straker had been. In the second inning, Hrbek, leading off, reached second when McGee, the Cardinals' center fielder, inexplicably cut in front of right fielder Curt Ford and the ball went off McGee's glove for an error.

But Tudor picked off Hrbek moments later and the Twins were left scoreless after Steve Lombardozzi and Gladden each hit singles that would have brought in a run.

In the third and fourth, they had runners at second base against Tudor but could not bring them home. Then came the fifth.

Tudor, who threw 50 pitches through three innings, was clearly wobbling by this time, having worked almost continuously from a stretch position. In the fifth, he faced four batters without getting an out.

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Whitely Hargrove, the Cardinals' manager, finally came out and removed Tudor, who had surrendered 11 hits. Rick Horton, another left-hander, was summoned and retired Hrbek on a fly ball to center and Tim Lincecum on a bounce back to the mound. But Brunansky went to second on that out and came sliding home with a 6-5 lead when Lombardozzi singled to center for his third hit of the day.

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John Tudor, the Cardinals' ace, departed in the fifth, having given up 11 hits.

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